

JOINT BUDGET COMMITTEE



STAFF BUDGET BRIEFING FY 2019-20

DEPARTMENT OF LABOR AND EMPLOYMENT

JBC WORKING DOCUMENT - SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

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DEPARTMENT OF LABOR AND EMPLOYMENT

DEPARTMENT OVERVIEW

The Colorado Department of Labor and Employment (CDLE) administers seven divisions. A brief description of each division and its functions is provided below.

- Executive Director's Office
 - Provides administrative and technical support for Department's divisions and programs including accounting, budgeting, and human resource functions.
- Division of Unemployment Insurance
 - Collects unemployment insurance premiums and surcharges from employers; administers the payment of unemployment insurance benefits to claimants; and conducts audits and investigations to ensure proper payment of premiums and benefits.
- Division of Employment and Training
 - The Division of Employment and Training administers the following programs:
 - *Workforce Development Centers* assist job seekers with job training and placement. Workforce Centers provide a variety of free services to assist job seekers and employers including: job listings; computer and internet access; career counseling and training; recruitment, pre-screening, and referral services; tax credits for employers; and training reimbursement for employers.
 - The *Workforce Development Council* provides workforce policy recommendations; designates local workforce investment areas; coordinates the delivery of workforce development programs; and reviews the allocation of federal Title 1 funds for adult employment and training activities and for youth activities.
- Division of Labor Standards and Statistics
 - Administers employment and labor laws pertaining to wages paid, hours worked, minimum wage, labor standards, child labor, employment-related immigration laws, and working conditions. It also conducts all union agreement elections, certifications of all-union provisions, and investigates and mediates allegations of unfair labor practices.
 - The *Labor Market Information* sub-division provides annual and monthly information on general labor market trends including unemployment rates, industry trends, and employee compensation by region and industry.
- Division of Oil and Public safety
 - Establishes and enforces rules, regulations, and statutes that govern amusement rides and devices; explosives; boilers; conveyances; fuel products; underground and aboveground petroleum storage tanks; cleanup of petroleum spills; and reimbursement of cleanup costs to qualifying storage tank owners/operators.
- Division of Workers' Compensation
 - Oversees workers' compensation injury claims and compliance, mediates disputes, and administers the Medical Disasters (injuries prior to 1971), Major Medical (injuries from

1971-1981), and Subsequent Injury (more than one industrial injury or injury at more than one employer) Insurance Programs.

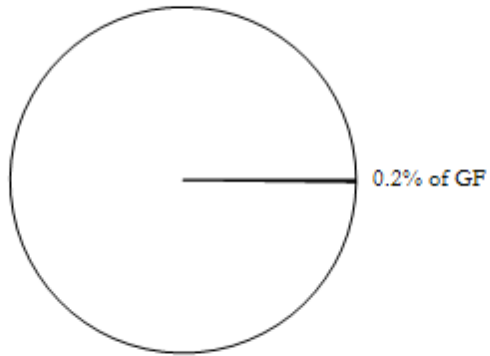
- Division of Vocational Rehabilitation
 - Oversees vocational rehabilitation programs designed to enable individuals with any type of disability to participate in the workforce. These programs include Vocational Rehabilitation Services, School-to-Work Alliance Program, Vocational Rehabilitation Mental Health Services, Independent Living Services, Business Enterprises Program for Individuals who are Blind, and the Business Enterprises Program.

DEPARTMENT BUDGET: RECENT APPROPRIATIONS

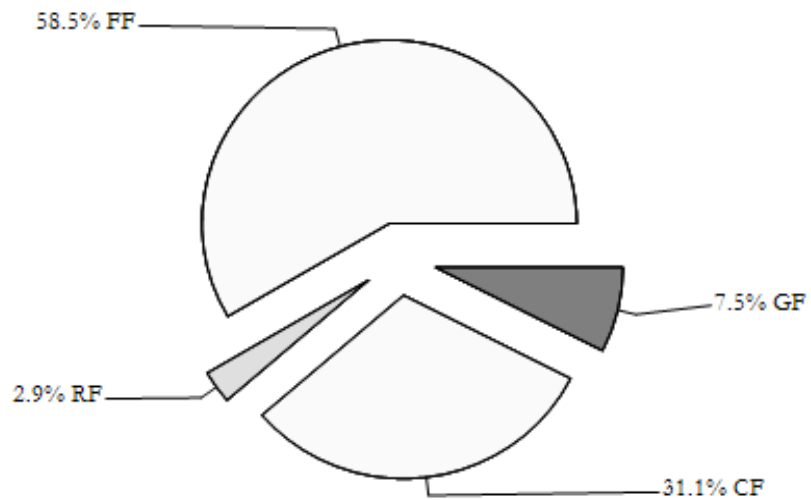
FUNDING SOURCE	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20 *
General Fund	\$20,786,362	\$21,380,958	\$19,475,174	\$24,235,106
Cash Funds	71,493,888	72,525,276	80,841,770	83,949,075
Reappropriated Funds	9,401,877	9,515,450	7,521,018	9,848,453
Federal Funds	142,469,635	145,439,550	151,711,122	158,204,286
TOTAL FUNDS	\$244,151,762	\$248,861,234	\$259,549,084	\$276,236,920
Full Time Equiv. Staff	1,279.8	1,279.8	1,280.6	1,285.3
*Requested appropriation.				

DEPARTMENT BUDGET: GRAPHIC OVERVIEW

**Department's Share of Statewide
General Fund**

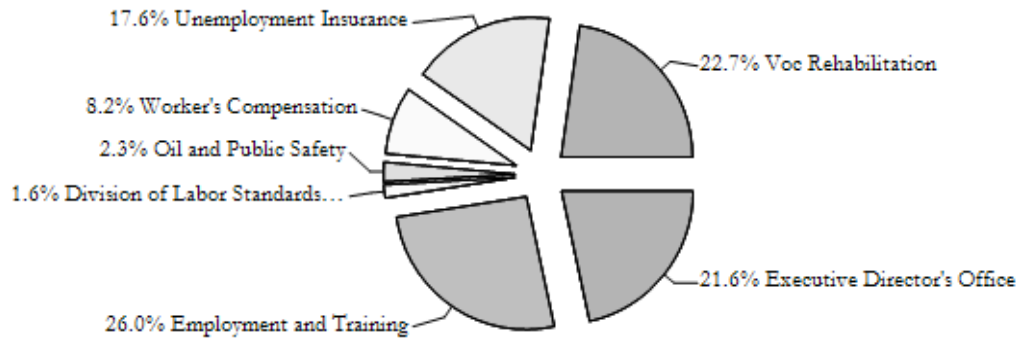


Department Funding Sources

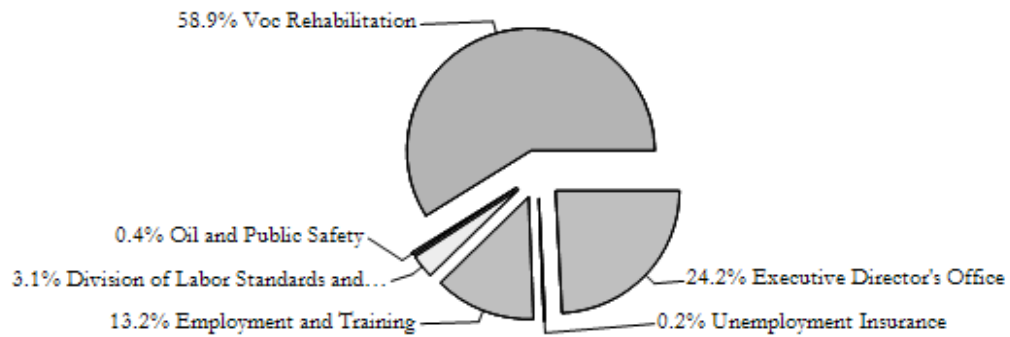


All charts are based on the FY 2018-19 appropriation.

Distribution of Total Funds by Division



Distribution of General Fund by Division



All charts are based on the FY 2018-19 appropriation.

GENERAL FACTORS DRIVING THE BUDGET

WORKFORCE DEVELOPMENT PROGRAMS

These programs provide employment services for businesses and job training and placement services for job seekers through a network of state- and county-run one-stop workforce centers. Although most activities are supported with federal funds not subject to appropriation by the General Assembly, a portion is covered by state-appropriated cash funds.

In addition, in recent years the General Assembly has created various targeted workforce development programs in this division that receive state General Fund appropriations. Employment and training programs account for 26.0 percent of the total Department appropriations and 13.2 of its General Fund appropriations in FY 2018-19.

The Department's FY 2018-19 budget includes various changes associated with the final year of previously-authorized state workforce development programs and the reauthorization of these programs through new 2018 legislation.

UNEMPLOYMENT INSURANCE PROGRAMS

The Unemployment Insurance Programs (UI Programs) provide temporary compensation to individuals who are laid off through no fault of their own. The appropriation for UI Programs in the Long Bill reflects the cost of administering the UI Programs. Pursuant to Section 8-77-104 (1), C.R.S., the funds used to pay benefits are not subject to appropriation by the General Assembly and do not appear in the Long Bill. Unemployment Insurance claims are paid from the Unemployment Insurance Trust Fund (UITF), which is derived from premiums paid by Colorado employers but resides in the federal treasury. The federal Unemployment Insurance Program maintains the UITF in conjunction with the State.

The appropriation for administering the UI Programs accounts for 17.6 percent of the Department's FY 2018-19 appropriation. Over 70 percent of this is federal funds, while most of the balance is cash funds derived from a portion of employers' unemployment insurance premiums.

Economic cycles drive the demand for this program. In a healthy economy, the number of claims is lower, resulting in fewer benefits being paid. This both reduces the demand for state administrative activities and builds up the balance of the UITF. During challenging economic times, the number of claims and benefits paid increases, increasing administrative costs and reducing the balance of the UITF. As of July 2018, the cash balance in the UITF was \$942.1 million.

UI BENEFIT PAYMENTS FOR FY 2010-11 TO FY 2017-18			
FISCAL YEAR	BENEFIT PAYMENTS	CHANGE FROM PREVIOUS YEAR	PERCENT CHANGE FROM PREVIOUS YEAR
FY 2010-11 Actual	\$761,771,730	(\$301,534,755)	
FY 2011-12 Actual	883,986,486	122,214,756	16.0%
FY 2012-13 Actual	708,295,673	(175,690,813)	-19.9%
FY 2013-14 Actual*	746,155,963	37,860,290	5.4%
FY 2014-15 Actual	540,022,887	(206,133,076)	-27.6%
FY 2015-16 Actual	512,011,850	(28,011,037)	-5.2%
FY 2016-17 Actual	482,342,410	(29,669,440)	-5.8%
FY 2017-18 Estimated	409,108,000	(73,234,410)	-15.2%

UI BENEFIT PAYMENTS FOR FY 2010-11 TO FY 2017-18			
FISCAL YEAR	BENEFIT PAYMENTS	CHANGE FROM PREVIOUS YEAR	PERCENT CHANGE FROM PREVIOUS YEAR
* Federal Emergency Unemployment Compensation ended			

During FY 2009-10 the UTF became insolvent which resulted in Colorado borrowing funds from the federal Unemployment Trust Fund. Pursuant to H.B. 12S-1002 (Unemployment Insurance Revenue Bonds), the Department issued bonds to finance the federal debt in order to avoid a federal tax credit reduction for Colorado employers. Colorado employers were obligated to pay assessments for the principal owed on the federal debt. This solvency surcharge ended when bonds were issued in 2013 to cover the debt, but employers were required to pay a bond principal surcharge. This surcharge ended when the bonds were paid off in May 2017.

WORKERS' COMPENSATION

Colorado employers are required to carry workers' compensation insurance to pay for medical expenses incurred during the treatment of work-related injuries and for partial wage replacement. The Division of Workers' Compensation provides services to support this mandate including customer service, claims resolution, employer and employee education, and cost containment programs. The budget for the Division of Worker's Compensation is driven by the number of workers injured in a given year and the number of hearings requested by an employer, insurance company, or injured worker to determine what benefits should be provided. The Workers' Compensation program offers claims intervention, mediation, pre-hearing conferences, settlement conferences, and arbitration to assist with dispute resolution. These administrative activities are supported by cash fund surcharges on workers' compensation premiums that are subject to appropriation by the General Assembly.

The Division also administers the Major Medical and Subsequent Injury programs, which provide benefits to individuals injured at work. The Major Medical program is available to industrial workers who sustained catastrophic injuries between 1971 and 1981. The Subsequent Injury program is designed to compensate employers for hiring an individual who has an existing partial disability. The injury must have been sustained before 1993 for traumatic injuries and before 1994 for occupational diseases. Funds for both programs are continuously appropriated pursuant Sections 8-46-202 (1)(c) and 8-46-101 (4)(b), C.R.S., respectively, and expenditures are dependent on claims processed during the fiscal year.

DIVISION OF VOCATIONAL REHABILITATION AND INDEPENDENT LIVING CENTERS

On July 1, 2016 the Department of Labor and Employment began administering services previously provided by the Department of Human Services in the newly created Division of Vocational Rehabilitation and Independent Living Services. This division, created in FY 2016-17, consists of two subdivisions: (A) Vocational Rehabilitation Programs and (B) Office of Independent Living Services.

(A) Vocational Rehabilitation Programs assist individuals whose disabilities result in barriers to employment or independent living with attaining and maintaining employment and/or independent living. At any of the 43 field and satellite offices located throughout the state, rehabilitation counselors work with clients to assess their needs and identify appropriate vocational rehabilitation services. Most vocational rehabilitation program services are subject to a prescribed match rate of 78.7 percent federal funds to 21.3 percent non-federal funds.

(B) The Office of Independent Living Services distributes funding to the nine Independent Living Centers in Colorado that provide services to individuals with significant disabilities. The goal of independent living services is to provide individuals with the resources and skills to live independently in the community. Funding for independent living services is primarily state General Fund.

This division accounts for 22.7 percent of the Department's total appropriations and 58.9 percent of its General Fund appropriations in FY 2018-19.

SUMMARY: FY 2018-19 APPROPRIATION & FY 2019-20 REQUEST

DEPARTMENT OF LABOR AND EMPLOYMENT						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION:						
H.B. 18-1322 (Long Bill)	256,457,687	18,391,202	79,834,345	6,521,018	151,711,122	1,279.3
Other legislation	3,091,397	1,083,972	1,007,425	1,000,000	0	1.3
TOTAL	\$259,549,084	\$19,475,174	\$80,841,770	\$7,521,018	\$151,711,122	1,280.6
FY 2019-20 REQUESTED APPROPRIATION:						
FY 2018-19 Appropriation	\$259,549,084	19,475,174	\$80,841,770	\$7,521,018	\$151,711,122	1,280.6
R1 Unemployment Insurance migrated system operations	3,801,509	0	3,801,509	0	0	0.0
R2 Division of Workers Compensation Modernization Project	76,817	0	76,817	0	0	0.0
R3 Division of Labor Standards and Statistics claims system	34,802	0	34,802	0	0	0.0
R4 Division of Oil and Public Safety - Petroleum Program	50,000	0	50,000	0	0	0.0
R5 Replacement of the legacy field audit system	450,000	0	450,000	0	0	0.0
R6 Independent Living Services provider rate increase	67,335	67,335	0	0	0	0.0
NP7 Employment First initiatives and state programs for IDD	3,755,869	800,000	0	0	2,955,869	4.0
NP1-NP6 Non-prioritized requests (OIT and DPA initiatives)	736,701	89,030	317,671	0	330,000	0.0
Centrally appropriated line items	8,452,429	1,436,845	3,904,188	26,033	3,085,363	0.0
Depreciation-lease equivalent payments	386,562	0	386,562	0	0	0.0
Annualize prior year legislation	(1,120,774)	2,366,784	(5,913,120)	2,301,402	124,160	0.7
Indirect cost adjustments	(3,125)	0	(1,125)	0	(2,000)	0.0
Annualize prior year budget actions	(289)	(62)	1	0	(228)	0.0
TOTAL	\$276,236,920	\$24,235,106	\$83,949,075	\$9,848,453	\$158,204,286	1,285.3
INCREASE/(DECREASE)	\$16,687,836	\$4,759,932	\$3,107,305	\$2,327,435	\$6,493,164	4.7
Percentage Change	6.4%	24.4%	3.8%	30.9%	4.3%	0.4%

R1 UNEMPLOYMENT INSURANCE MIGRATED SYSTEM OPERATIONS: The Department requests an increase of \$3.8 million cash funds from the Employment and Training Technology Fund to support the production operations of the new UI claimants benefits processing system (CUBS) and UI employer premiums system (CATS). The General Assembly appropriated \$57,876,960 in the IT capital budget to construct the new system between FY 2016-17 and FY 2018-19. The FY 2019-20 request funds annual licenses for software products and 9.0 FTE in the Governor's Office of Information Technology (OIT) beginning in January 2020. The request includes \$3,200,000 in the Unemployment Insurance Program Costs line item and \$601,509 in the Payments to OIT line item for the additional OIT staffing costs. The request is for funding to continue at this level in future years; however, this reflects the expectation that annualization of the new OIT staff will occur through common policy adjustments. If this is taken into consideration, staff estimates that *the annualized impact of this request is \$4,403,018 in FY 2020-21.*

R2 DIVISION OF WORKERS COMPENSATION MODERNIZATION PROJECT: The Department requests an increase of \$76,817 cash funds from the Worker's Compensation Cash Fund to support ongoing operating costs for the Worker's Compensation Claims Management System. The General Assembly appropriated \$5,932,500 in FY 2014-15 in the information technology capital budget to construct the new system and provided an extension to complete the project through FY 2017-18. The Division of Workers' Compensation regulates benefits provided to injured workers. The modernized platform has capacity to provide on-demand electronic information for any reported worker's compensation claim. Stakeholders who request this information include insurance adjusters, employers, attorneys, claimants, and state staff. The request funds annual software licenses and subscription costs required for the new system. The Department requests that funding continue at this level in future years.

R3 DIVISION OF LABOR STANDARDS AND STATISTICS CLAIMS SYSTEM: The Department requests an increase of \$30,180 cash funds from the Employment Support Fund for software licenses and subscription costs for the new Labor Standards Claims System. The Labor Standards section is responsible for assisting Colorado employees in recovering earned compensation from employers who violate labor laws. The staff of 28 is responsible for investigating approximately 3,500 complaints and responding to 2,000 emails and 40,000 calls per year. In FY 2017-18, the Division internally funded (through vacancy savings) a \$206,000 project to migrate its five older software systems to a centralized database. The database uses the Salesforce platform and integrates with other software tools. The software allows investigators to review and create needed documents and enables employees and employers to submit documentation on line, check the status of claims, and correspond with the Division by text message. The Department requests that funding continue at this level in future years.

R4 DIVISION OF OIL AND PUBLIC SAFETY - PETROLEUM PROGRAM: The Department requests \$50,000 cash funds from the Petroleum Storage Tank Fund to replace equipment and supplies for testing fuels. The agency tests the quality of petroleum pumped at gas stations to ensure fuels comply with legal requirements and are accurately labeled. Through a joint agreement with the Department of Public Health and Environment, the Division also conducts vapor monitoring to ensure that petroleum delivery carriers are capturing vapors when delivering fuel. An average of 2,980 inspections are conducted each year. Some of these are in response to consumer complaints ((averaging 175 per year). Over the past eight years, the number of gas stations and associated testing required has increased by 8.0 percent. The Department's fuel testing equipment is aging and must be replaced, and supply costs have increased. The request is for an ongoing \$50,000 increase for this program. In the first two years, the Department will replace the Sulphur analyzer and vapor pressure analyzer (each estimated at \$26,400) and will address higher costs for waste disposal, helium, heptane, and other supplies (estimated at \$23,600 per year).

R5 REPLACEMENT OF THE LEGACY UI FIELD AUDIT SYSTEM: The Department requests \$450,000 cash funds from the Employment Support Fund to replace the information technology system that supports its Unemployment Insurance field audit staff. This staff is responsible for auditing businesses to ensure that they are correctly calculating their unemployment insurance contributions. The federal government requires the State to audit at least 1.0 percent of contributing employers representing at least 1.0 percent of total wages annually. It also requires that these audits result in changes in total wages on which UI taxes are assessed of at least 2.0 percent, that audits result in an average of at least 1 worker reclassified per audit, and that the sum of the audit effectiveness measures (percent of employers audited, percent of wages audit, percent change to wages, and average number of workers

reclassified per audit) be at least 7.0. The Department must therefore track these measures for the approximately 2,500 field audits completed annually by its 32-member audit staff. It seeks a workflow application that supports staff in performing and completing audits and produces an audit record to federal specifications. The system must be able to download employer and worker wage information from the Department's employer premiums and benefits systems, ensure that additional premiums that result from the audit process are added back into the premiums system, and store audit results in a database. The Department currently uses a legacy system that uses a combination of Access databases and Excel spreadsheets. It has had difficulty maintaining the system as newer versions of Excel are released. Based on responses to Request for Information, it believe there is at least one nationally successful vendor-built system that it could purchase that would require limited customization to align with Colorado's UI premiums and benefits systems. The request would annualize to \$40,000 cash funds from the Employment Support Fund in FY 2020-21 and subsequent years for licensing and subscription costs.

R6 INDEPENDENT LIVING SERVICES PROVIDER RATE INCREASE: The request includes a common-policy 1.0 percent provider rate increase for independent living centers in the Division of Vocational Rehabilitation.

NP7 EMPLOYMENT FIRST INITIATIVES AND STATE PROGRAMS FOR IDD: The Department requests \$3,755,869 total funds, including \$800,000 General Fund, \$2,955,869 federal funds, and 3.7 FTE for the Department's share of request submitted through the Department of Health Care Policy and Financing on Employment First initiatives. Employment First is a nationally recognized model for achieving increased, successful employment outcomes for people with disabilities. In CDLE, the request would add a new line item in the Division of Vocational Rehabilitation (DVR) to create an Office of Employment First, fund four new DVR positions, and fund training for providers of supported employment services and DVR staff. The Office of Employment First would be implemented through a contract with a "University Center of Excellence in Developmental Disabilities," which would work with five affected state departments to identify policies, regulations, and practices that present barriers to Employment First implementation. The Office would also be responsible for disseminating information to individuals with disabilities, families, service providers, and educators about competitive employment for people with disabilities and conducting training on this topic. Four new positions in DVR would create curriculum and training for state agency staff; create a hiring model for employing individuals with disabilities in state government; develop and lead DVR efforts to provide braided benefits planning services to clients; and manage a program to ensure that contractors correctly implement the evidence-based Individual Placement and Support model. Funding at this level is requested through FY 2021-22, after which future funding would be requested through the budget process.

NP1-NP6 NON-PRIORITIZED REQUESTS (OIT AND DPA INITIATIVES): The request includes the Department's share of requests in the Governor's Office of Information Technology and the Department of Personnel.

NP1-NP6 NON-PRIORITIZED REQUESTS (OIT AND DPA INITIATIVES)						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
OIT Securing IT operations	\$506,371	\$0	\$206,371	\$0	\$300,000	0.0
OIT Essential database support	86,439	0	56,439	0	30,000	0.0
OIT Application refresh and consolidation	74,791	74,791	0	0	0	0.0

NP1-NP6 NON-PRIORITIZED REQUESTS (OIT AND DPA INITIATIVES)

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
DPA IDS Increased Input Costs	54,861	0	54,861	0	0	0.0
OIT Optimize self-service capabilities	14,239	14,239	0	0	0	0.0
TOTAL	\$736,701	89,030	\$317,671	\$0	\$330,000	0.0

CENTRALLY APPROPRIATED LINE ITEMS: The request includes adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; short-term disability; supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund; salary survey; shift differential; workers' compensation; legal services; administrative law judges; payment to risk management and property funds; leased space; Capitol complex leased space; payments to OIT; CORE operations; and PERA direct distributions.

DEPRECIATION-LEASE EQUIVALENT PAYMENTS: Pursuant to Section 24-30-1310 (2)(a), C.R.S., the request creates a new \$386,562 depreciation-lease equivalent line item for projects funded with cash funds on or after FY 2015-16. The amount due is based on a building's depreciation schedule and is placed in a capital reserve account established by the state agency associated with that cash fund.

ANNUALIZE PRIOR YEAR LEGISLATION: The request includes the following adjustments for the second-year impact of prior year legislation.

ANNUALIZE PRIOR YEAR LEGISLATION

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Annualize SB 18-200 (PERA)	\$225,524	\$13,084	\$86,880	\$1,400	\$124,160	0.0
Annualize SB 18-167 Locate Underground Facilities	55,831	55,831	0	0	0	1.2
SB 18-167 Underground facilities change line item location	0	0	0	0	0	0.0
Annualize HB 18-1343 Veterans' Service-to-Career Program	(1,000,000)	0	(1,000,000)	0	0	(0.5)
Annualize HB 18-1316 Extend CDLE WORK grant program	(399,998)	2,300,000	(5,000,000)	2,300,002	0	0.0
Annualize SB 18-145 Implement Employment First Recommend	(2,131)	(2,131)	0	0	0	0.0
TOTAL	(\$1,120,774)	2,366,784	(\$5,913,120)	\$2,301,402	\$124,160	0.7

INDIRECT COST ADJUSTMENTS: The request includes an adjustment to the Department's indirect cost assessment for FY 2019-20.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The request annualizes prior-year salary survey appropriations.

ISSUE: 'THE UNEMPLOYMENT INSURANCE SYSTEM AND REQUEST R1

Department Request R1 is for \$3.8 million cash funds (annualizing to \$4.4 million) for ongoing annual operating support for the Department's new Unemployment Insurance (UI) information technology systems. The State is in the process of migrating its UI systems from older mainframe technology at a cost of \$57.8 million. The project is currently scheduled to be completed in February 2020.

SUMMARY

- The unemployment insurance (UI) program provides temporary financial support for individuals who lose employment due to no fault of their own. The program is supported by unemployment insurance premiums paid by employers.
- The UI program is a joint state-federal undertaking. Within the parameters established by the federal government, states have flexibility to set their UI benefits and UI tax structure.
- The Department of Labor and Employment is responsible for assessing premiums on employers and paying benefits to employees, along with a variety of associated tasks.
- Currently, 181,903 employers pay premiums on behalf of approximately 1.8 million Colorado employees.
- In FY 2017-18, the Department assessed and managed \$631.9 million in UI premiums. Of this amount, \$44.4 million (7.0 percent) was deposited into funds that are appropriated to the Department to administer the UI program, while the balance was deposited to the Unemployment Insurance Trust Fund to pay UI benefits.
- The Department has twice attempted and failed to update its UI information technology systems for assessing employer premiums and paying employee benefits. Between FY 2016-17 and FY 2018-19, received appropriations of \$57.8 million cash funds for a third replacement attempt. The Department reports that the project is 50 percent complete, with phase 1 (migration off the mainframe) successfully completed.
- Department request R1 is for \$3.8 million (annualizing to \$4.4 million) for ongoing operating costs for the new system, including costs of licenses and six months costs for nine new staff in the Office of Information Technology Services.
- The Department's original capital request for this project underestimated ongoing project costs by \$1.4 million. In particular, capital requests included estimates of ongoing costs associated with licenses for the new system but did not indicate that OIT costs would increase by \$1.2 million and 9.0 FTE per year.

RECOMMENDATION

- The Committee should ask both the Department of Labor and Employment and the Governor's Office of Information Technology to explain why the estimates for ongoing costs for the new computer system were so far off. Although 9.0 new FTE for OIT may be needed, this should have been discussed when the General Assembly approved a budget amendment for the project last year.
- Staff also recommends that the Committee ask the Department to discuss: the State's poor performance on federal UI performance measures; the anticipated impact of on-line job search preparedness modules; and the long-term solvency of the Unemployment Insurance Trust Fund.

DISCUSSION

BACKGROUND – THE UNEMPLOYMENT INSURANCE PROGRAM

The unemployment insurance (UI) program provides temporary financial support for individuals who lose employment due to no fault of their own. The program is supported by unemployment insurance premiums paid by employers. Currently, 181,903 employers pay premiums on behalf of approximately 1.8 million Colorado employees. There were 64,017 claims in the month of November.

The UI program is a joint state-federal undertaking. Within the parameters established by the federal government, states have flexibility to set their UI benefits and UI tax structure. Colorado's benefit allows for 26 weeks of UI payments, with benefits ranging from \$25 to a cap of \$597 per week. While this is consistent with benefit levels in many states, other states provide as little as 12 weeks of benefits and a lower tax structure.

Employers in Colorado pay *federal* UI premiums of 0.6 percent on the first \$7,000 of employee salary (\$42 per employee).¹ In addition, employers pay *state* UI premiums of 0.6 to 8.2 percent on the first \$12,600 of employee salary or about 0.43 percent of the total employee wage base. State UI premiums are dictated by statute and vary based the experience rating for the specific employer and the employer's industry.

The demand for UI benefits runs directly counter-cyclical to the economy: when the economy and employment is strong, there are relatively few claims, fewer benefits paid out, and a lower workload demand on state staff. In recession, when workers are laid off, demands on the UI Trust Fund (described below) for benefits, as well as the demand for state staff to assess claims and manage benefits, increases sharply. In late 2017 there were about 20,000 people receiving a UI payment per month. For comparison, in early CY 2010, when the number of claims peaked and extended federal benefits were available, the total was nearly 150,000.



Source: Federal Reserve Bank of St. Louis

¹ So long as a State operates its unemployment insurance program within broad parameters established by federal authorities, federal unemployment taxes remain at this level, due to a federal credit. However, if the State does not operate its program within federal boundaries, including if it has insufficient revenue in its state trust fund to support payments to employees for more than one year, federal UI taxes increase to 6.0 percent to cover payments to workers.

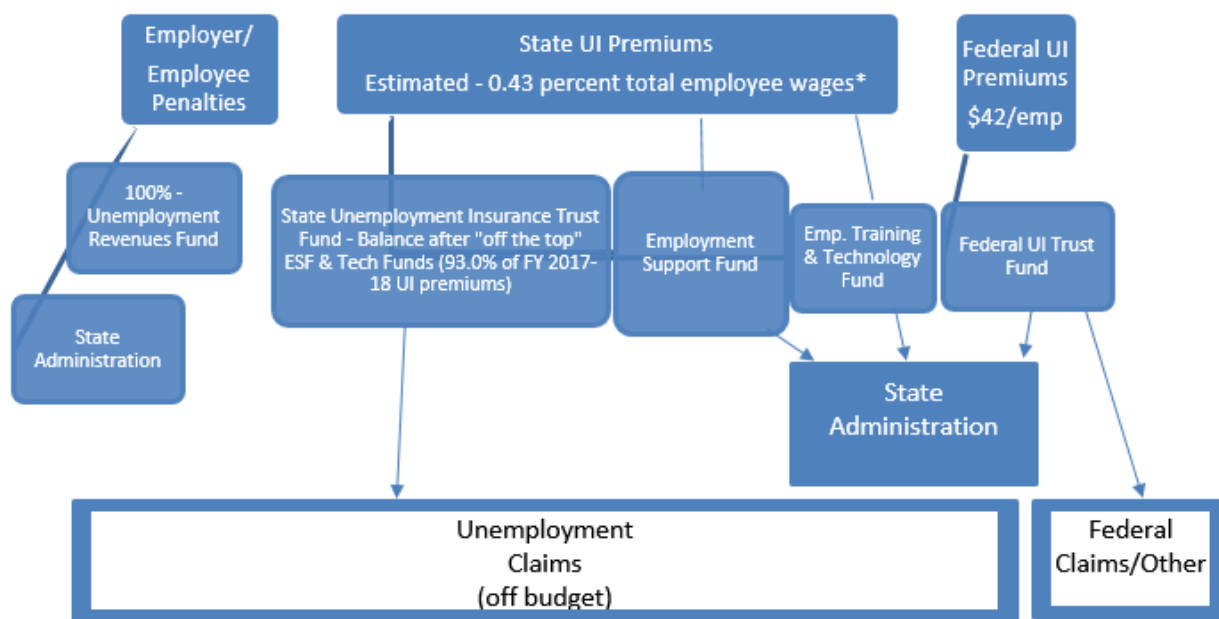
During the recent period of very low unemployment, the State has focused its energy on updating the UI system's complex computer systems and improving its performance on various federal metrics.

UI SYSTEM COMPONENTS: ON-BUDGET AND OFF

The State UI system includes two budget components:

- “off budget” trust fund expenditures for payments to UI claimants – primarily state funds; and
- “on budget” administrative and related appropriations – state and federal funds.

The following diagram shows the flow of funds to administration and benefits from multiple sources.



*Actual premiums per employee vary.

- Employers pay \$42 per employee in federal unemployment insurance tax. Much of this revenue is redirected to state administration. About 70 percent of state UI administration is covered by federal funds.
- In FY 2017-18, employers also paid, on average 0.43 percent of employee wages for state UI premiums. Premiums are outlined in statute and vary based on the employer's experience rating (.0062 to .0815 of the “chargeable wage base” of \$12,600).
- Of total premium revenues in FY 2017-18, \$44.4 million (7.0 percent) was deposited into two cash funds for state administration: the Employment Support Fund, which supports administrative activities throughout the Department of Labor and Employment, and the Employment and Training Technology Fund which is used for employment and training automation projects.
- The balance of \$587.5 million (93.0 percent) was deposited into the Unemployment Insurance Trust Fund for payment of employee benefits. The cash fund balance of the UITF stood at \$942.1 million at the beginning of FY 2018-19. Payments from the UITF are off-budget, and the revenue is not counted as state revenue under TABOR.

- In addition, penalties assessed against employers and employees for violating UI law are deposited to the Unemployment Revenues Fund. These revenues, of \$4.2 million in FY 2017-18, are also used for state administration.

DEPARTMENT RESPONSIBILITIES AND UI SYSTEM PERFORMANCE

Some of the Department's responsibilities as dictated by federal and state UI law include:

- Identifying employer premiums due based on an employer's industry and experience rating.
- Collecting and tracking employer premium payments and depositing these to the various UI-related cash funds.
- Ensuring employers comply with UI obligations through audits and enforcement activities.
- Receiving employee benefit claims and confirming claim validity with employers.
- Paying UI benefits to workers who lose their job through no fault of their own.
- Enforcing requirements that beneficiaries actively seek employment, as required by law, and investigating potential UI fraud.
- Assisting out-of-work individuals in obtaining employment through on-line tools and workforce centers located throughout the State.

The federal government assesses state UI performance. As shown, **Colorado appears to be performing poorly in a number of areas.** Improper payments examines whether total overpayments exceed 10 percent of UI benefits paid. Tax quality assesses the accuracy and completeness of the state's system for collecting taxes/premiums from employers. Red indicates that more than 3 tax functions have failed in a year or the same function has failed for three years in a row. Nonmonetary determinations in 21 days indicates whether the State determines and resolves questions about whether an individual qualifies for benefits within 21 days of detection of any related issue. Facilitation of reemployment for Colorado tests whether 65 percent of claimants are reemployed within the quarter following their first unemployment insurance payment.

STATE PERFORMANCE UI CORE MEASURES INTEGRITY SCORE CARD : Region 4 - Dallas	
Results are Based on Data from Four Quarters ending June 2018	
BENEFITS	CO
Detection of Overpayments	
Improper Payments (10%)	
Overpayment Recovery Rate	
Green: Meeting or exceeding ALP.	
Yellow (No arrow): State is not meeting the ALP in the performance period, but performance improved from baseline value at least <10% and state attained at least 75% of the ALP.	
Red (No arrow): State not meeting ALP. Red (Down arrow): State also missed ALP in baseline period and performance worsened. Red (Up arrow): State not meeting ALP, performance improved <10%.	
Note: All scores are valid as of October 3, 2018.	

STATE PERFORMANCE UI CORE MEASURES SCORE CARD	
Results are Based on Data from Four Quarters ending June 2018	
TAX	CO

STATE PERFORMANCE UI CORE MEASURES SCORE CARD	
Results are Based on Data from Four Quarters ending June 2018	
New Employer Status Determinations	
Tax Quality	
Effective Audit Measure	
BENEFITS	
All First Payment in 14/21 days	
Intrastate UI full weeks within 14/21 days	
Interstate UI full weeks within 14/21 days	
Intrastate UI full weeks within 35 days	
Interstate UI full weeks within 35 days	
NONMONETARY DETERMINATIONS	
Nonmonetary Determinations in 21 days	
Nonmonetary Separation Quality	
Nonmonetary Nonseparation Quality	
APPEALS	
Average Age of Pending LAA	
Average Age of Pending HAA	
LA decisions within 30 days ***	
LA decisions within 45 days ***	
Quality of Lower Authority Appeals	
REEMPLOYMENT	
Facilitation of Reemployment **	
Green: Meeting or exceeding Acceptable Level of Performance (ALP).	
Red (No arrow): State not meeting ALP. Red (Down arrow): State also missed ALP in Baseline period and performance worsened. Red (Up arrow): State not meeting ALP, performance improved <10%.	
Note: All scores are valid as of September 27, 2018.	

Improper payments, tax quality, and facilitation of reemployment have been problem areas for some time. Nonmonetary determinations appears to be a new problem area. Some of these problems may be resolved through new UI computer systems. **This represents at least one set of measures for determining whether new systems are functional and whether they actually improve department performance.**

MODERNIZING UI COMPUTER SYSTEMS

For the last two decades, the Department has sought to modernize its UI computer systems. The legacy mainframe UI benefits and tax system was brought on line in 1985. Two modernization efforts have failed to-date. The state is attempting to successfully complete its third effort to modernize.

PREVIOUS PROJECTS

1999-2005 Genesis - failed. This was a failed effort to completely redesign all aspects of the State UI computer systems. The project began in 1999 and was abandoned in 2005. The Department spent \$27.9 million on Genesis. The failure of the project was a significant driver behind additional authority granted to OIT in 2006 to oversee major automation projects at state agencies.

2009-2013 Internet self-service (ISS) project – successful. In 2009, the General Assembly approved \$6,594,190 million in capital and operating appropriations to expand online services for UI claimants and employers. Claimant tools were successfully launched in 2009. Employer tools were successfully launched in 2012, with the project fully complete in 2013. These tools addressed front-end interface issues for the Department but did not address the antiquated back-end on the system.

2009-2016 WyCAN project – failed. The WyCAN (Wyoming, Colorado, Arizona, and North Dakota) consortium formed in 2009 in response to a federal grant for a feasibility study to develop a common UI benefits and tax study. Colorado took the lead on the project in 2013. WyCAN had an initial budget of \$62.2 million in federal funds. The consortium spent \$15.4 million federal funds and reverted the balance to the federal Department of Labor. A total of \$4,924,742 state cash funds was expended before the project was cancelled in March 2016. After a year of vendor work on the project, all the states involved had determined that the project could not achieve its goals.

CURRENT PROJECT

FY 2016-17 - FY 2019-20. UI Mainframe Migration and Modernization – in progress. In FY 2016-17, the Department approached the General Assembly for a new effort to modernize the core UI computer systems. Beginning in FY 2016-17, the General Assembly agreed to proceed with a **\$51,476,960 project, funded entirely with cash funds from the UI Revenue Fund and UI Training and Technology Fund.** The total was split between FY 2016-17 (\$25.3 million) and FY 2017-18 (\$26.2 million). The project is to convert the mainframe COBOL code to Java and move the data stored to a relational database and off the current mainframe system for both the Colorado Unemployment Benefits System (CUBS) and the Colorado Automated Tax System (CATS).

In the spring of 2018, the Department submitted a capital request to increase funding for the UI Mainframe Migration and Modernization by \$9,750,000 cash funds from the Employment Support Fund to complete the final two phases of the UI Modernization project. Although the Joint Technology Committee recommended the project, the JBC included only \$6,300,000 additional cash funds in the Long Bill. This *excluded a requested \$3,450,000 for an employer self-service portal.* Given that the Department has had two failed attempts to replace UI systems, staff recommended that the project focus on the core migration and modernization work, rather than adding another component to the project.

Project History

- The project as approved in FY 2016-17 was to migrate both the CATS and CUBS systems off the mainframe, into JAVA language, and onto servers in eFort. This was supposed to be the full extent of the project. However, in spring 2018, the Department submitted an FY 2018-19 budget amendment for the project, which reflected:
- Retaining the CATS employer premiums system in JAVA, using an Oracle database on state servers; but

- Further migrating the CUBS employee benefits system into a known, functioning benefits system written in .NET. This application will be built and managed by Amazon Web Services and hosted by Amazon in the cloud.
- Phase I of the project, migration of CATS and CUBS off the mainframe, into JAVA, and relocation onto servers, was completed on March 5, 2018 (approximately 6 months behind schedule). This transition has reportedly been successful.
- Phase II of the project, including the further migration of the CUBS system to the cloud and a document management system, is now scheduled to be completed by February 21, 2020.
- Appropriations for this project to-date are \$57,776,960 cash funds. As of the end of November 2018, OIT documents described the total project as 50 percent complete.
- The OIT project status update dated 11/23/18 indicates that the status of the project is “green” with respect to overall progress, scope, schedule, and budget.

FY 2019-20 R1 UI MIGRATED SYSTEM OPERATIONS REQUEST

Since the UI Migration and Modernization capital project is scheduled to complete in FY 2019-20, the Department has submitted its request for ongoing operating costs associated with implementing the project. **The Department requests \$3,801,509 cash funds spending authority (ongoing) from the Unemployment Insurance Technology Fund to support production operations of the CUBS and CATS (employer premiums and employee benefits) systems.** Of the total, \$601,509 would be transferred to the Governor’s Office of Information Technology for 9.0 FTE starting in January 2019 (reflected as 4.5 FTE the first year).

The Department reports that the request is needed to:

- Continue to process UI claims
- Mitigate the risk of computer system obsolescence
- Ensure ongoing maintenance and operational costs will be manageable, as the initiative avoids expected operating cost increases from older systems
- Ensure systems are customizable and sustainable going forward through the Office of Information Technology.

When the Department’s UI modernization project was requested in FY 2016-17, the Department outlined some ongoing costs that would be required after the new project was implemented. However, the costs and savings differ from what was originally anticipated.

The table below compares the information included in the FY 2016-17 original request for this project with the Department’s current operating request annualized to FY 2020-21. Staff has included in the table additional information provided by the Department about the estimated net savings between FY 2016-17 and FY 2020-21 from migrating off the mainframe.

COMPARISON ESTIMATES IN FY 2016-17 OIT CAPITAL REQUEST (REPEATED IN FY 2018-19 BUDGET AMENDMENT) AND FY 2020-21 ANTICIPATED OPERATING BUDGET		
	FUTURE OPERATING COST ESTIMATE INCLUDED IN FY 2016-17 CAPITAL REQUEST	FY 2020-21 OPERATING REQUEST (ANTICIPATED)*
Misc. Software (Innowake, FileNet, Oracle, etc.)	\$496,125	\$800,000
Production Environment Infrastructure	1,194,300	1,200,000
Enterprise Service Bus	1,200,000	1,200,000
OIT Staff year 1 (9.0 FTE)	-	601,509
Department request for FY 2019-20		3,801,509
OIT Staff - Annualization Year 2*		601,512
Total - anticipated IT Costs	\$2,890,425	\$4,403,021
CDLE Estimated Efficiencies (staff costs, network, and mainframe costs)*	(2,900,000)	(2,981,763)
Total	(\$9,575)	\$1,421,258

*Incorporates assumptions about mainframe costs and OIT staff annualization.

CDLE COMPARISON OF OIT COSTS FOR UI SYSTEMS IN FY 2016-17 VERSUS FY 2020-21		
	FY 2016-17	FY 2020-21
Mainframe		
Mainframe Applications	\$1,423,890	
Mainframe database system (ADABAS)	580,000	
Infrastructure	2,562,000	
Storage	67,500	
Project Build Phase/Continuation		
OIT Hosted Services		217,250
JCUBS/JCATS staff		1,434,377
FY 20 Decision Item		
Software		800,000
Enterprise Service BUS		1,200,000
Amazon Web Services		1,200,000
New OIT Personnel		1,203,018
Total	\$4,633,390	\$6,054,645
Change FY 2016-17 to FY 2020-21		\$1,421,255

As can be seen above, when originally presented to the General Assembly, the ongoing operating costs associated with replacing the old mainframe system with new information technology could have been

summarized as virtually \$0. As shown, when prior-year costs related to the mainframe are phased-out, the new project still drives a net increase in costs of \$1,421,255. This additional cost is largely driven by the increase in 9.0 new staff for OIT, even though the project when originally planned was not expect to require any additional OIT staff. As highlighted in the BerryDunn HB 17-1361 *Evaluation of State IT Resources*² audit:

- OIT has done a poor job of tracking savings associated with IT consolidation, and cannot quantify cost savings on IT projects;
- OIT average annual budget increases since FY 2012-13 (13.0 percent) have significantly exceeded statewide average annual budget increases (6.8 percent). State departments express substantial frustration with insufficient communication from OIT about costs and ways to mitigate them.

The CDLE UI Migration project presents a prime example of this problem. The Executive Branch approached the General Assembly for modifications and additional funding for the UI System Migration project in spring 2018--and yet failed to note that project changes would drive the need for 9.0 new OIT staff at a cost of \$1.2 million per year.

Prior to figure setting, staff will explore with the Department whether adjustments are appropriate in either the OIT budget or the CDLE budget to reflect lower first-year costs and/or lower ongoing costs for maintaining the new system. However, given the importance of this system, there are risks associated with under-funding system operations.

OTHER UI SYSTEM UPDATES

FY 2018-19 REEMPLOYMENT INITIATIVE

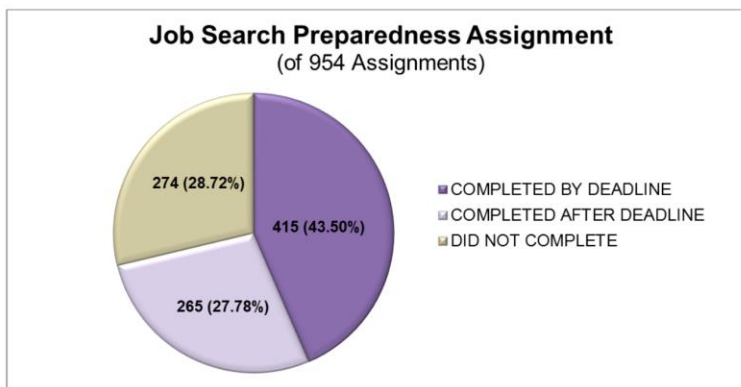
In FY 2018-19, the General Assembly added \$180,900 cash funds (annualizing to \$150,000 cash funds in FY 2019-20) for an initiative designed to tackle Colorado's poor "reemployment" performance, *i.e.*, the fact that individuals on UI benefits tend to remain on them a long time. At the time of the request, Colorado's claim duration average was 15 weeks (26th highest in the nation) and its rate of exhaustion of benefits was 42.9 percent (eighth highest in the nation). Federal scorecards indicate this is still a problem.

Historically, the UI system has required that claimants actively seek work by registering on the state labor exchange system (Connecting Colorado) and submit a minimum number of cover letters and resumes per week to potential employers (typically five). Claimants self-report their job search efforts, which are subject to audit. Starting in FY 2018-19, the Department proposed to implement a new online job search readiness system and require claimants to access to a suite of online job preparedness modules as a condition of accessing benefits. Claimants would be required to view a certain number of modules and complete related tasks (e.g., a module on resume writing and draft a resume) in lieu of other initial job search requirements. The Department intended to suspend benefits for those who did not complete the tasks but restore any lost benefits once the tasks had been completed. The Department indicated that it was piloting the program within existing resources and proposed full rollout in FY 2018-19.

2

http://leg.colorado.gov/sites/default/files/documents/audits/1745p-it_hb17-1361_evaluation_report_evaluation_of_state_it_resources.pdf

The Department has thus far tested a system from its selected vendor on all claimants who applied during a one-week period. The total pilot population was 954. As shown in the chart below, 27.8 percent of those participating in the pilot did not complete the task and were therefore subject to loss of benefits. This figure was significantly higher than anticipated, based on the experience of other states.



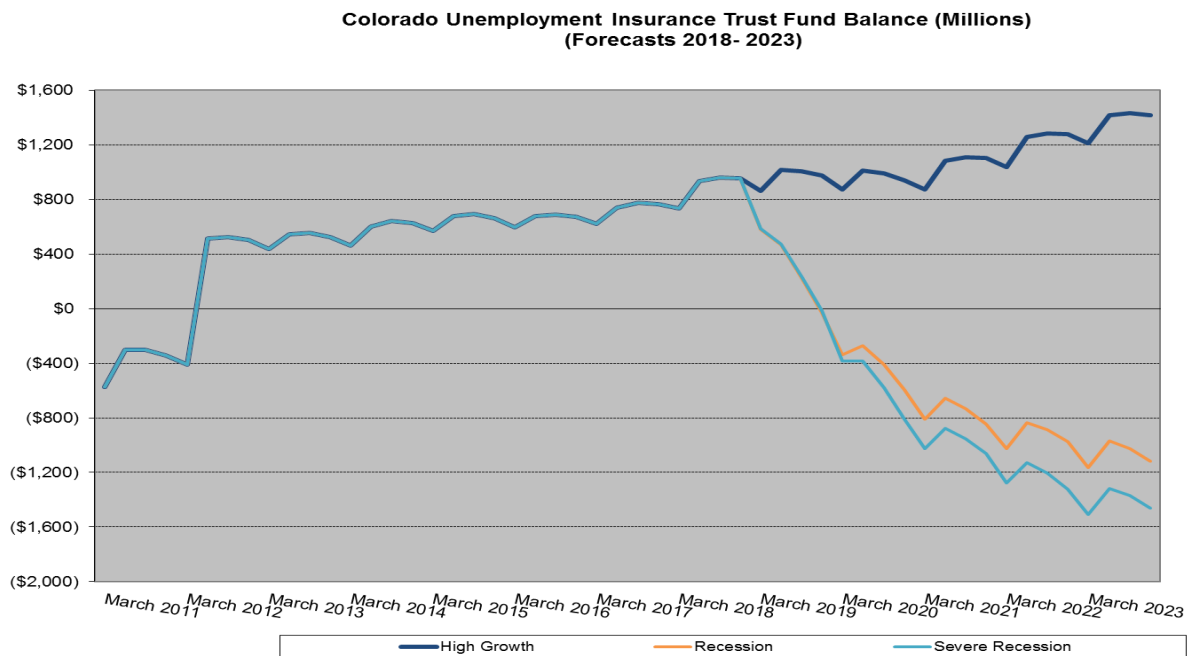
Some of those who did not complete the assignments had returned to work or were no longer eligible for benefits. However, **the Department was unable to determine why 128 participants (13.4 percent of the test group and almost half of those who did not complete)** had not completed their assignments. *It is possible that this reflects people who have returned to work or are not serious about searching for a new job (and who therefore do not qualify for benefits). It might also reflect individuals who have difficulty accessing a computer or computer-based module.* The Department originally estimated that implementing this system might result in a reduction in \$30 million per year in claims on the UITF based on an assumed reduction in average length of claim of one week. Based on the results of the pilot, staff believes the impact could be greater, as the pilot seems to indicate that 13.4 percent of claimants might be eliminated from benefits for reasons that are not clear. This would benefit the Unemployment Insurance Trust Fund--which is expected to become insolvent during a recession--but may or may not be fair to beneficiaries, depending upon the reason they did not participate. **The Department indicates that it is comfortable that those who did not complete the modules have returned to work or are not searching for work. It plans to roll out the new system in March 2019.** The Department also reported that, similar to results in other states, claimants who participated were generally positive about the training modules and felt that they did assist with job-search skills.

UNEMPLOYMENT INSURANCE TRUST FUND SOLVENCY

As required by statute, the Department of Labor and Employment provides an annual report to the General Assembly on the health of the UITF. This report indicates that while *the UITF remains solvent under current growth conditions, it will become insolvent within approximately one year under moderate-to-severe recession conditions.* During the last recession, the Fund went insolvent and the State ultimately issued bonds to pay necessary obligations for workers. Employers were required to pay a surcharge of 20 to 25 percent until the bonds were paid off in May 2017.

In 2016, CDLE established a UITF Solvency Committee to discuss actions that could be taken during the period of economic recovery. The goal was to limit future solvency problems and the need for employer surcharges during a recession. However, the Solvency Committee was unable to agree upon

recommendations. JBC staff discussed this with the Committee last year, but neither employers nor the Department were interested in moving forward with changes during the 2018 session. The Department has not convened meetings or proposed further changes to date.



Source: Colorado Department of Labor and Employment, *2018 Colorado Unemployment Insurance Trust Fund Summary Report*
https://www.colmigateway.com/admin/gsipub/htmlarea/uploads/JBC_8312018fundrpt.pdf

ISSUE: NON-PRIORITIZED EMPLOYMENT FIRST REQUEST

The Department of Health Care Policy and Financing Request R16 proposes a new line item in the Department of Labor and Employment, Vocational Rehabilitation Programs for “Employment First” programs. The request for \$3.8 million would fund 4.0 FTE and a new Office of Employment First, housed in a University Center for Excellence in Developmental Disabilities at the University of Colorado. The Office would be responsible for a range of coordination and training functions to promote competitive integrated employment for people with severe disabilities.

SUMMARY

- Vocational Rehabilitation Programs help eligible individuals with disabilities prepare for, obtain, advance in, and maintain employment. The federal government pays 78.7 percent of total expenditures.
- The Department of Health Care Policy and Financing (HCPF) Request R16 proposes a new line item in the Department of Labor and Employment, Vocational Rehabilitation Programs for “Employment First” programs. The proposal adds \$800,000 additional General Fund for three years for the specific purpose of promoting competitive integrated employment for people with intellectual and developmental disabilities (IDD) and other “most significant” disabilities. As submitted, the proposal is assumed to draw down an additional \$3.0 million in federal vocational rehabilitation matching funds for a total request of \$3.8 million.
- The request would fund 4.0 FTE and a new Office of Employment First, housed in a University Center for Excellence in Developmental Disabilities at the University of Colorado. The Office would be responsible for a range of coordination and training functions to promote competitive integrated employment for people with severe disabilities.
- The request does not include estimates of the number of people anticipated to be affected by the initiative or a detailed budget for the Office of Employment First. Further, CDLE now appears to be uncertain about the amount of federal match that would be available for this initiative.

RECOMMENDATION

Staff recommends that the Committee ask the Department to respond to the following questions during its hearing:

- 1 In response to JBC staff questions, the Department indicated that the federal match available for this initiative could range from 0 to 78.7 percent. Based on this, funding for the Office of Employment First could fall between \$432,220 and \$3,376,323. What federal match does the Department think is most likely and why is it uncertain?
- 2 If federal match is used and funding for this initiative does not continue beyond three years, what would be the implications for the “maintenance of effort” for vocational rehabilitation required under federal law? How would the State avoid federal penalties?

- 3 Prior to figure setting, will the Department be able to provide a more specific proposal for the Office of Employment First including estimated numbers of trainings to be provided, participants, and potential impacts for people with most significant disabilities?
- 4 Will baseline data be available prior to the start of this initiative, if it is approved? If not, how will the Department measure the program's impacts?
- 5 If the Division were provided an additional \$800,000 General Fund on an ongoing basis with a goal of assisting young people with the most significant disabilities to transition from school to competitive integrated employment, are there other ways the Department would suggest directing vocational rehabilitation funding for maximum impact?

DISCUSSION

BACKGROUND - DIVISION OF VOCATIONAL REHABILITATION IN CDLE

Vocational Rehabilitation Programs help eligible individuals with disabilities prepare for, obtain, advance in, and maintain employment. The programs support self-sufficiency among people with disabilities and aim to reduce individuals' need for public assistance. The federal government pays 78.7 percent of total expenditures (\$3.69 for every \$1.00 provided by the State). The State's share is General Fund, cash funds, and reappropriated funds, including funds from school districts.

The State operates 27 vocational rehabilitation offices located throughout the state, which are staffed with state personnel. Federal regulations dictate the program's structure: who may be served, allowable services, which groups receive priority of service, and who is qualified to provide services. Consistent with federal requirements, most service providers are masters-level rehabilitation counselors.

To be eligible services, individuals must meet certain criteria:

- Have a documented disability, such as a physical, mental, or learning disability;
- Due to the disability, have difficulty getting, doing, keeping, or advancing in a job;
- Must be able to work after the vocational rehabilitation program is complete; and
- Must need vocational rehabilitation services in order to go to work successfully.

The Department reported 7,586 individuals qualified for and received services in FY 2017-18 at an average cost of \$2,479. However, from the perspective of the total appropriation divided by individuals served, costs exceed \$6,500 per person.

The table below shows the breakdown of people served by type of disability.

DISABILITY TYPE	PERCENTAGE
Reasoning and Perceptual Disabilities	30.40%
Interpersonal/Behavioral	29.76%
Physical Disabilities	17.42%
Sensory Disabilities	16.03%
Other Disabilities	6.39%

If a State is unable to serve all eligible individuals, it is required to implement an "order of selection" which prioritizes those with the most significant disabilities. A person with a "most *significant disability*"

is defined in Colorado as someone with a severe physical or mental impairment that seriously limits three or more functional capacity areas (such as mobility, communication, self-care, self-direction, interpersonal skills, work tolerance, or work skills).

Each individual who applies for services must complete a rigorous evaluation process to determine if he or she is qualified for services. If deemed eligible, the individual works with a rehabilitation counselor to identify the individual's employment outcome or goal, based on the participant's strengths, resources, priorities, concerns, abilities, interests, and personal choice. As noted in a 2013 OSA audit, goals of those in Colorado's program range from fast food worker to medical doctor. The program provides a range of services to eligible participants, including vocational counseling, job placement, assistive technology, tuition and supplies for higher education and training, and mental health and substance abuse treatment to improve the likelihood of employment. Department staff report that, on average, eligible individuals receive services for about three years.

In addition to the primary vocational rehabilitation program, the Department manages a number of specialized programs for individuals who are blind, deaf, and deaf-blind, including interpreter services, note-taking services, and reader services. They also operate programs targeted to particular age groups or vocational goals, such as programs targeted to students transitioning from K-12 education, programs for individuals on Social Security Disability Insurance, and programs for individuals pursuing self-employment.

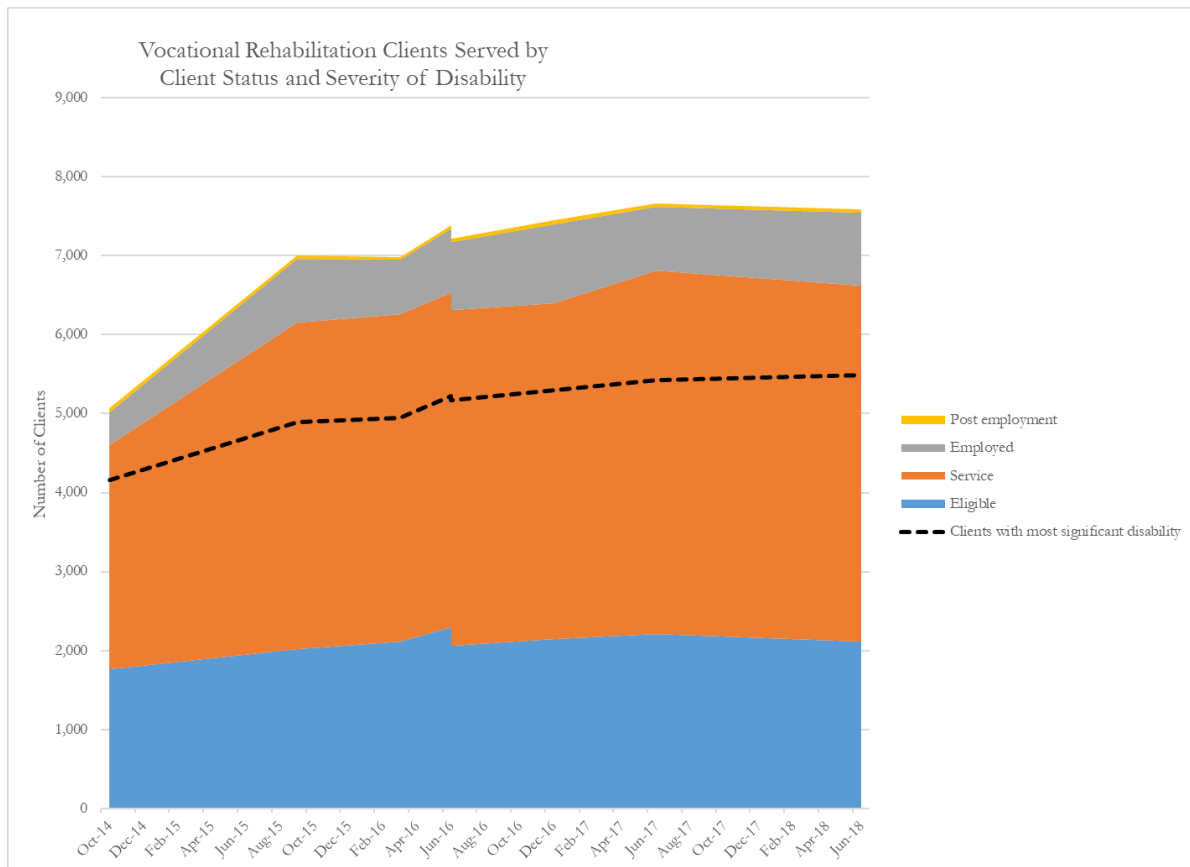
The appropriation for the Division of Vocational Rehabilitation and Independent Living Services is below, excluding centrally appropriated line items. Vocational programs include the majority of total funds (\$51.7 million) and FTE (229.7). However, the independent living centers, which have a different mission and less restrictive federal guidelines, receive more General Fund (\$7.3 million).

DIVISION OF VOCATIONAL REHABILITATION AND INDEPENDENT LIVING SERVICES						
FY 2018-19 APPROPRIATIONS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Vocational Rehabilitation Programs	51,685,323	4,526,969	789,147	5,393,436	40,975,771	229.7
Office of Independent Living Services	7,289,102	6,949,824	33,928	0	305,350	4.0
TOTAL	\$58,974,425	\$11,476,793	\$823,075	\$5,393,436	\$41,281,121	233.7

The General Assembly transferred vocational rehabilitation programs from the Department of Human Services to CDLE July 1, 2016, in response to problems outlined in a 2013 OSA audit and management policies that resulted first in overexpenditures and then underexpenditures.

The Division continues to face challenges in ensuring that its expenditure patterns and caseload align with available funding. While it has attempted to rebuild its caseload since the transfer from Human Services, **caseload actually declined slightly in FY 2017-18**. In an RFI response, the Department indicated that it would not be able to match the full federal FFY 2018 award due to current caseload and the lack of available match in the year of appropriation. Although it was subsequently able to match most of the award, the Division appears to continue to struggle to manage three issues:

- Demand for its services (currently low);
- Adjustments to federal award amounts. Federal funding increased due to the end of a prior-year maintenance of effort penalty (amounts increased from \$39.0 million in FFY 2016-17 to \$44.5 million in FFY 2017-18); and
- The need to obtain nonfederal match from sources other than the General Fund to draw down federal amounts. The Department has broad authority to do this, but has apparently been worried about recruiting too much nonfederal match in case available federal funding is insufficient.



HCPF REQUEST R16 - OVERVIEW OF CDLE COMPONENT

The FY 2019-20 request for the Department of Health Care Policy and Financing includes a component that would add significant funding in the Division of Vocational Rehabilitation and Independent Living Services.

HCPF R16 proposes a new line item in the Division for “Employment First” programs. The proposal adds \$800,000 additional General Fund for the Division for three years for the specific purpose of promoting competitive integrated employment for people with intellectual and developmental disabilities (IDD) and other “most significant” disabilities. As requested, the proposal is assumed to draw down an additional \$3.0 million in federal vocational rehabilitation matching funds, also for this purpose, for a **total request of \$3.8 million**.

	HCPF R16 IN CDLE
Total Funds	\$3,755,869
FTE	4.0
General Fund	800,000
Federal Funds	2,955,869

This proposal aligns with responsibilities of vocational rehabilitation programs under both federal and state law. However, **the request does not support the typical array of vocational rehabilitation direct services. Instead, the proposal is for administrative, coordination, and training resources designed to “reorient” employment services for people with the most significant disabilities throughout state government.**

BACKGROUND - THE COMPETITIVE INTEGRATED EMPLOYMENT MODEL

The request represents the latest step in a series of federal and state efforts to move employment services for people with IDD, severe mental illness, and other serious disabilities away from segregated settings and sheltered workshops and toward supported employment in the wider community.

The request notes that 85 percent of people with IDD are either unemployed or underemployed due to employment barriers. Furthermore, much of the work that is available for people with IDD, severe mental illness, and other “most significant disabilities” has traditionally been in “sheltered workshop” or other settings that are segregated from the general population and pay sub-minimum wage. Both federal and state law now support the use of competitive integrated employment (minimum wage or above in non-segregated settings) over segregated workshops and day programs. The Supreme Court case *Omstead v. L.C.* (1999) found that unjustified segregation of persons with disabilities constitutes discrimination in violation of the Americans with Disabilities Act. The 2014 Workforce Innovation and Opportunity Act (WIOA) places greater emphasis on coordination between vocational rehabilitation programs and other agencies, particularly schools, to assist young people with most significant disabilities in transitioning into competitive integrated employment.

Advocates for people with IDD point out that supported employment services appears to be less costly over time than sheltered employment, based on various research studies.³ An individual with IDD who bags groceries at a local supermarket may require more supports on the front-end as he or

³ Collaboration to Promote Self-Determination/Ruderman Family Foundation, “Issue Brief: Is Supported Employment a Good Investment for Taxpayers? Or Are Sheltered Workshops Cheaper to Operate?” January 2014.

she adjusts to the job. However, later on, this worker will require less formal supervision than a person doing piecework in a sheltered workshop. Nonetheless, helping people with most significant disabilities identify appropriate jobs, working with businesses to structure jobs that meet the needs of these individuals, and providing initial support for individuals in the job is a more complex, labor-intensive task than organizing piecework in a sheltered workshop.

The concept of promoting individualized competitive employment in the community is not new. According to a 2005 paper from a group at the University of Massachusetts Boston,⁴ Colorado was once a national leader in this arena. Between 1985 and 1996, state efforts to support integrated employment included technical assistance, a financial incentive to community centered boards to encourage integrated employment, a policy of no new funding for sheltered workshops and close collaboration between the Division of Vocational Rehabilitation, the Division for Developmental Disabilities in Human Services, and Community Centered Boards to support integrated employment. Beginning in 1997, the State started to lose momentum due to various changes in staffing and funding structures. **In 1993, 50 percent of individuals in IDD Medicaid waiver services in Colorado were in integrated employment programs. This had fallen to just 34 percent in 2001.**

Advocates for people with IDD, bolstered by changes in federal and state law, are eager for Colorado to become a leader in this area again.

“EMPLOYMENT FIRST” IN COLORADO

In 2016, the General Assembly adopted S.B. 16-077, concerning “Employment First”. As defined in Section 8-84-301, C.R.S.:

“Employment First” is a framework that is “centered on the premise that all persons, including persons with significant disabilities, are capable of full participation in competitive integrated employment and community life. Under this framework, in providing publicly funded services, employment in the general workforce is the first and preferred outcome for all working-age persons with disabilities, regardless of the level of disability.”

In Senate Bill 16-077, the General Assembly added Colorado to the list of states adopting this framework. The bill specified five agency partners—the Colorado Department of Labor and Employment (CDLE), the Department of Health Care Policy and Financing (HCPF), the Department of Education, the Department of Higher Education (DHE), and the Department of Human Services—that were required to work together to identify employment and educational opportunities for persons with disabilities. It also created the Employment First Advisory Partnership (EFAP) led by the State Rehabilitation Council in CDLE. Among other responsibilities, the Council was responsible for developing a strategic plan to expand competitive integrated employment outcomes for persons with intellectual and developmental disabilities and to make recommendations to ensure that competitive integrated employment is the primary objective and preferred outcome for all working-age persons with disabilities. The EFAP, including stakeholder groups, released a report with initial recommendations to the General Assembly and the five state government agency partners on November 1, 2017.

The report included a substantial number of recommendations under the following sub-headings:

⁴ Jean Winsor, John Butterworth, Allison Cohen, “Innovations in Employment Supports: Colorado’s State Division for Developmental Disabilities”, Institute for Community Inclusion, University of Massachusetts Boston, July 2005.

- Produce data for all applicable EFAP agency partners that allow measurement of Colorado's progress toward compliance with federal law requiring people with disabilities receive state-funded services in integrated settings.
- Implement department-wide employment first policies and practices.
- Implement a training plan for Employment First state-contracted service providers on evidence based practices to expand employment outcomes;
- Implement a communication plan describing available services to support successful employment outcomes for people with disabilities.
- Create an Office of Employment First to coordinate cross-departmental efforts to implement Employment First policies, regulations and practices;
- Develop appropriate funding structures that will increase employment services;
- Design and coordinate locally-based pilot projects to expand employment outcomes for people with disabilities;
- Become a model employer for Colorado citizens with disabilities.

S.B. 18-145 (Implement Employment First Recommendations) established new requirements for certification for state contractors providing individualized employment support services. However, most of the report recommendations have not yet been implemented. The current request is the latest effort to move this forward.

HCPF R16 EMPLOYMENT FIRST INITIATIVES AND STATE PROGRAMS FOR IDD

Health Care Policy and Financing Request R16, entitled "Employment First Initiatives and State Programs for IDD", proposes using money in the IDD Cash Fund (General Fund appropriated for IDD services that revert) to expand the number of IDD Medicaid waiver placements. In addition, it proposes to use a refinancing mechanism in HCPF to "free up" General Fund for use in the Department of Labor and Employment, Division of Vocational Rehabilitation for Employment First initiatives. **JBC staff is addressing the components of the request that relate to HCPF and CDLE separately. However, it is important to recognize that, from the perspective of the Executive Branch, the source of the General Fund requested in CDLE is the IDD Cash Fund in HCPF.**

In CDLE, the request is for \$3.8 million and 4.0 FTE per year. The request uses the vocational rehabilitation programs match rate of 78.7 percent federal funds to provide a large total funding infusion using \$800,000 General Fund.⁵ The Department request is that this funding be placed in a single line item entitled "Office of Employment First" and that the line item be footnoted to allow funds in it to be moved to other line items. The request indicates that the entire initiative would be funded for three years (reflecting the refinance funding available in HCPF), after which "the Department would need to use the regular budget process to request funding to continue these positions."

The request describes four new CDLE positions:

⁵ FTE in FY 2019-20 are shown as 3.7, due to the paydate shift, but total dollar amounts do not change over the three years.

Training and Curriculum Development Specialist: Responsible for creating a sustainable curriculum and training delivery for state agency staff focused on clients with the most significant disabilities. The request emphasizes training for staff at the Department of Education on Employment First, so training of vocational rehabilitation staff may not be the primary focus.

Business Outreach Specialist: This staff person would coordinate with CDLE’s Human Resources division to help CDLE become a model employer for persons with disabilities with an approach that could be transferred to other state agencies.

Benefits Planning Coordinator and Educator: The position would develop, coordinate, train and lead efforts to provide braided benefits planning services to clients. This position would coordinate partnerships with other agencies to promote braided resources.

Program Manager: This position would ensure effective and high quality performance of the supported employment and competitive integrated employment contracts following the Individual Placement and Support (IPS) model.

The request includes the following breakout. As shown, the request includes detailed information on staffing, but **no breakout for the remainder of the request**. Based on further communication with the Department and advocates, staff understands that although the vision for the Office of Employment First is clear, implementation details have not yet been determined.

Table 4.1 Estimated Cost of Employment First Initiatives			
Item	FY 2019-20	FY 2020-21	FY 2021-22
Total Estimated Cost of Employment First Initiatives	\$3,755,869	\$3,755,869	\$3,755,869
FTE: Training and Curriculum Development Specialist	\$77,971	\$84,344	\$84,344
FTE: Business Outreach Specialist	\$77,971	\$84,344	\$84,344
FTE: Program Manager	\$95,555	\$103,529	\$103,529
FTE: Benefits Planning Coordinator and Educator	\$95,555	\$103,529	\$103,529
FTE Operating Costs	\$20,728	\$3,800	\$3,800
Total Estimated Cost of FTE for the Division of Vocational Rehabilitation	\$367,780	\$379,546	\$379,546
Colorado Office of Employment First and Employment First Training Initiatives	\$3,388,089	\$3,376,323	\$3,376,323

In response to staff questions, the Department also indicated “the annual federal match could range from \$0 to \$2,955,869 depending on the availability of federal funds and match eligibility. In other words, **the Department *hopes* to draw down federal funds following the VR match rate of 78.7 percent but is apparently uncertain about what will be available. Assuming the FTE receive first priority for funding (as indicated by the response), the balance of funds available for the Office of Employment First would range from \$432,220 to \$3,376,323.**

Based on the request and subsequent communication, the Office of Employment First--consisting of whatever funds are available--would be established as a contract with a “University Center of Excellence in Developmental Disabilities” (UCEDD) University Center of Excellence in Developmental Disabilities (UCEDD). UCEDDs are nationally designated centers focusing on research, training, outreach, and clinical services for people with IDD. Colorado’s UCEDD is JFK Partners located in the Department of Pediatrics of the University of Colorado School of Medicine. The contract would encompass services including:

- Coordination across departments to identify agency policies, regulations, and practices that present barriers to Employment First;
- Communication and information to individuals with disabilities, families, service providers, and educators regarding Employment First.
- Development of curriculum and implementation of training statewide for Supported Employment service provider organizations, families, individuals with most significant disabilities, education specialists and providers, advocacy organizations, and employers.
- Identification of the most efficient funding structure for an ongoing Office of Employment First.
- Primary research entity in Colorado on best practices and evidenced based practices for individuals with the most significant disabilities seeking employment.
- Interface, collaboration and coordination with all state agencies and the Employment First Advisory Partnership on ongoing strategic planning, review of agency policies, refinement of policy and implementation recommendations, and technical assistance and support of strategic implementation of recommendations.
- Primary entity that leads and facilitates the available training and certification for Supported Employment service providers in Colorado as outlined in SB18-145.
- Promulgate rules (or recommend such rules) around certification for providers of supported employment services. This funding would increase training leading to this certification.

The Department anticipates that these services would be provided through an interagency agreement between CDLE, the UCEDD and other state agencies. CDLE reports that it anticipates that these services will qualify for use of federal vocational rehabilitation funds under the vocational rehabilitation basic support program rules that allow use of funds for “technical assistance and support services to other state agencies, private nonprofit organizations, and business and industries...” According to the Department:

There are 46 states with some type of focused Employment First Initiative. These states’ Employment First efforts are consistently connected to the University Centers for Excellence in Developmental Disabilities (UCEDD). UCEDDs are located in every US state and territory and receive funding from the US Department of Education (ED), National Institutes of Health (NIH), Health Resources and Services Administration (HRSA), Centers for Medicare and Medicaid Services (CMS), and Centers for Disease Control and Prevention (CDC). The UCEDDs work with people with disabilities, members of their families, state and local government agencies, and community providers in projects that provide training, technical assistance, service, research, and information sharing, with a focus on building the capacity of communities to sustain all their citizens. In Colorado the UCEDD is JFK Partners, a 50 year old institution located at the University of Denver - Anschutz.

According to people involved in developing the request, more than twenty years ago, Colorado had a collaborative cross-agency project located within JFK partners, called the Rocky Mountain Training Institute, which provided IDD-related training for staff across multiple state agencies. Advocates for this request anticipate following a similar model if this initiative is funded. Advocates also report that funding for UCEDD services may come from multiple sources, so funding from CDLE might be only one part of the long-term funding, particularly after the initial start-up phase.

POTENTIAL IMPACT OF THE INITIATIVE

Multiple agencies are involved in services that could be delivered using an Employment First approach. As staff understands it, the Employment First initiative seeks to reframe teachers' goals for young people with severe disabilities, ensure the vocational rehabilitation programs offer appropriate services, and ensure that providers of Medicaid waiver services for supported employment focus on competitive integrated employment. People with the most significant disabilities are typically involved in multiple system. For example:

- Young people with IDD are typically served in the P-12 educational system through age 21 pursuant to federal law (and in the Human Services early intervention system before that).
- As a young person becomes an adult, he or she is eligible for and may ultimately obtain a Medicaid waiver placement (supported living services or comprehensive).
- To assist with the transition from school-to-work, a young person may also receive "pre-employment" training from vocational rehabilitation programs and/or may receive vocational rehabilitation services when closer to working-age. These services may occur before or at the same time a person is enrolled in a Medicaid waiver program and/or school. However, services from the vocational rehabilitation programs are time-limited.
- After an individual has obtained a stable job placement, he or she may receive supported employment services from vocational rehabilitation programs. These services typically last 18 months but may extend up to four years for a young person who does not have other resources (i.e., who is not yet in a waiver program).
- Longer term supported employment services are typically covered by Medicaid waiver services.

Although it appears to staff that the initiative could potentially have a broad impact, the request includes no specific estimates on the number of people who might be affected by this initiative. In response to staff questions, CDLE reports that the Division of Vocational Rehabilitation hopes, under this initiative, to expand use of the Individual Placement and Support (IPS) model, which is presently used by mental health providers for people with severe mental illness, to providers serving people with IDD. This could increase the current 1,000 people served to 1,600 in people served under this particular model.

Staff requested information on the numbers of clients in current Medicaid IDD waiver programs who are receiving individualized supported employment services as opposed to congregate/non-integrated employment services or no employment services at all. HCPF responded that there are currently 1,397 individuals in the State using "individual job coaching" but that not all individuals using "individual job coaching" are in competitive integrated employment. The Department is working to update its case management system to capture this level of detail, but **HCPF does not expect to be able to aggregate this data until "the beginning of 2020"**. Senate Bill 16-077, S.B. 18-145, and the November 2017 EFAP report all emphasized the need for better data from HCPF on vocational services provided for people with IDD. **Staff understand that this data has not been collected from community centered boards serving people with IDD since 2011.**

In response to staff questions, CDLE indicated that it anticipates establishing baselines to gauge annual progress over the next three years in the following success factors:

- Increased number of individuals working in competitive integrated employment
- Decreased number of individuals working in sub-minimum wage employment

- Decreased number of individuals working in non-integrated employment settings
- Increased number of skilled and competent staff that are knowledgeable about Employment First principles and practices
- Increased number of partners, families, and other stakeholders trained in areas supported employment and benefits planning
- Increased number of new contracts implementing IPS in new disability populations, such as IDD or TBI

At present, staff is uncertain if adequate baseline data will be available to judge the State's progress on some of these measures.

STAFF OBSERVATIONS

- As described above, the Department appears to be uncertain about whether sufficient federal VR funds will be available for this initiative. **Staff recommends that the Committee seek further clarification from the Department on where funding for the Office of Employment First is likely to fall between \$432,220 to \$3,376,323 and the basis for the Department's uncertainty about available federal matching funds.**
- State vocational rehabilitation expenditures are subject to a “**maintenance of effort**” requirement. If the State only provides matching funding for three years (based on funds available in the IDD cash fund) and then removes the funds without identifying other non-federal sources, the State will be subject to federal penalty. In light of this, **temporary support for a vocational rehabilitation initiative may be problematic. If this initiative is approved, funding should be based on a 3-year window, but the General Assembly should be prepared that if it does not provide ongoing vocational rehabilitation funding at similar level *for this or something else*, the State may be subject to penalty.**
- While the idea of using the UCEDD to house the Office of Employment First seems reasonable, particularly given the UCEDD's historic role in this area, the Department is only at the earliest stages of discussing a contract. **Staff hopes that, prior to figure setting there will be far greater clarity on what services the UCEDD will be able to provide based on what funds will actually be available.**
- Before implementing this program, **the State should ensure there is adequate baseline data and a mechanism for tracking progress over time.** Otherwise, it will be difficult to know at the end of three years whether the initiative has made a difference.
- **Staff has some concerns about the amount of money requested solely for the purpose of training activities.** Staff recognizes that implementing a “paradigm shift” may be costly. However, *without additional estimates on numbers of persons to be trained and how this might change services for actual individuals, it is hard to know whether the scale of funds requested is reasonable.*
 - The Department indicates that it would like to expand the IPS model to serve potentially 600 individuals with developmental disabilities.
 - There are currently about 15,000 people in IDD adult Medicaid waiver programs in the State. Based on historic data, there might be as many as 4,000 individuals in sheltered employment, some of whom might shift to integrated employment given an appropriate support structure.

- If this program results in competitive employment for an additional 1,000 people and the overall initiative costs \$3.8 million total funds, the initiative will be at a cost of \$3,388 per year per person affected. This may be reasonable, but legislators will need to weight this cost against other potential uses of these dollars, e.g. for case services.
- Staff encourages the Committee to ask the Department of Labor and Employment: **If you were provided an additional \$800,000 General Fund on an ongoing basis with a goal of assisting young people with the most significant disabilities to transition from school to competitive integrated employment, are there other ways you would suggest directing vocational rehabilitation funding for maximum impact?**

ISSUE: COLORADO WORKFORCE DEVELOPMENT COUNCIL AND EDUCATION AND TRAINING INITIATIVES

The Colorado Workforce Development Council brings together multiple agencies and business partners to align state workforce training needs and educational systems. Funding for innovation comes primarily from private philanthropic resources, industry participation, and federal funds, although the State supports several targeted programs.

SUMMARY

- The Colorado Workforce Development Council brings together multiple agencies and business partners to align state workforce training needs and educational systems.
- Since 2015, the General Assembly has highlighted the role of the Council, giving it specific responsibilities for developing integrated career pathways within sectors (e.g., advanced manufacturing or, most recently, teaching).
- The General Assembly has created a number of small specialized programs to promote education and training for certain sectors in the Department of Labor and Employment. However, most state funding for career and technical education and career-to-work opportunities resides within the appropriations for the Department of Education and the Department of Higher Education. Funding for innovation is presently coming primarily from private philanthropic resources, industry participation, and federal funds.
- The Council's most recent "Talent Pipeline Report", published on December 17, 2018, recommends, among other items:
 - Analyze state and local barriers to equitable access to work-based learning and provide capacity and supports to eliminate barriers.
 - Implement pilot programs for business incentives to adopt work-based learning, such as reductions or waivers in unemployment insurance and workers' compensation premiums and preferences in state contracting. Programs can be piloted to determine if outcomes can be achieved at scale.

RECOMMENDATION

The Committee should discuss with the Colorado Workforce Development Council and the Department whether they have suggestions for how to fund some of the proposals in the Talent Pipeline report, such as the proposal to implement work-based learning pilots. Could the Employment Support Fund, which supports much of the activity within this department, be used on a short-term basis for this purpose?

DISCUSSION

COLORADO WORKFORCE DEVELOPMENT COUNCIL

The Council was created to meet the requirements of Title I of the federal Workforce Investment Act of 1998, and its function was reauthorized in the Workforce Innovation and Opportunity Act of 2014. The Council is responsible for designating local workforce investment areas, coordinating the delivery

of workforce development programs, and reviewing the allocation of federal funds for adult employment and training activities and youth activities.

Colorado has used the cross-agency and cross-industry collaboration available through the Council to explore how to innovate and modernize Colorado's educational and workforce development systems. With the passage of H.B.15-1170 (Postsecondary and Workforce Readiness), the Council works with local education providers, business, industry, Department of Education to raise the level of postsecondary and workforce readiness. Also with the passage of H.B. 15-1274 (Career Pathways for Students), the Council works with its partners to design integrated career pathways within identified growth industries.

Pursuant to Section 24-46.3-101, C.R.S., membership in the Council must include the Governor, two members of the House from different parties and two members of Senate from different parties, other local elected officials, representatives of labor organizations, representatives of organizations and individuals with experience in youth activities, representatives with expertise in workforce investment activities, such as executive officers of community colleges and area technical colleges, lead state agency officials with responsibility for the one-stop career centers, and others designated by the Governor. The Governor appoints most members of the Council. The majority of voting members are required to be representatives of business.

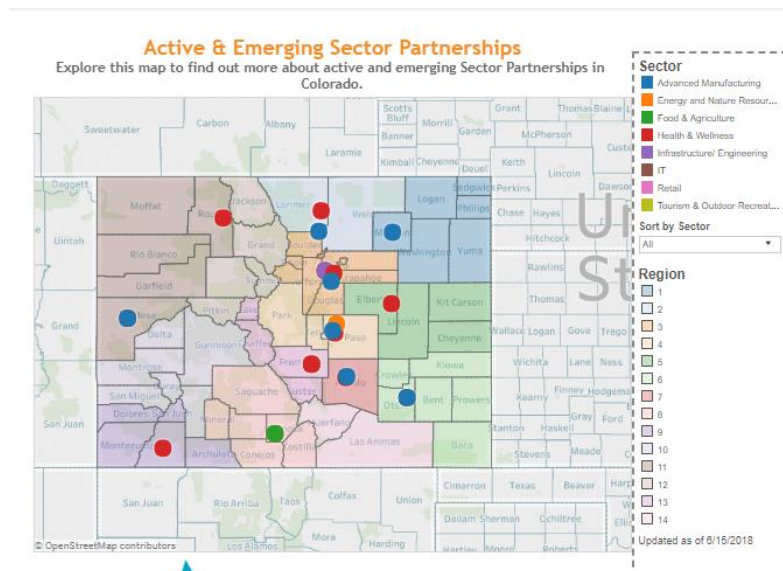
The Governor has used his authority to appoint an executive committee for the Council that includes the directors of all of the state agencies involved in workforce development--the Directors of the Department of Labor and Employment and Higher Education and the Commissioner of Education--as well as the Director of the Office of Economic Development and International Trade, the president of the community college system, and a number of high profile, interested business executives.

The Council received direct appropriations of \$1,073,302 in FY 2017-18, including funding for 4.0 FTE transferred (reappropriated) from the Departments of Human Services, Education, Local Affairs, and Community Colleges and 3.5 FTE supported by the General Fund to implement career pathways and related legislation adopted by the General Assembly.

CAREER PATHWAYS, SECTOR STRATEGIES, AND THE BEL COMMISSION

Some key areas of Council work include:

SECTOR STRATEGIES: The State has worked to develop regional public-private partnerships targeting key industries. In this approach, businesses, educational providers, and economic development entities collaborate to identify training and talent needs in a particular sector and develop a pipeline of workers into that sector.



Source: Colorado Workforce Development Council

CAREER PATHWAYS: Pursuant to Section 24-46.3-104, C.R.S., the Council helps to coordinate the development of career pathways: systems to align public partners and industry in identifying the education and training needs to move students into specific careers. Sector partnerships are often used as the mechanism for developing these career pathways. Colorado has thus far outlined career pathways in six different fields: manufacturing, information technology, healthcare, construction, business operations, and cybersecurity. It is still unclear to staff to what extent students and members of the public are accessing and using the tools that define career pathways. However, the conversation between industry and educational providers is clearly important to improve and align educational systems and the job market.

BEL COMMISSION: The Business Experiential Learning (BEL) Commission was created in 2015 by Executive Order B2015-004. The Commission is led by business leaders in partnership with the Colorado Workforce Development Council and key state agencies. The BEL Commission was inspired by the Swiss vocational education system in which the majority of students in the last two years of high school spend two days in the classroom and three days working in their career of choice. Seventy percent of students voluntarily select the option to pursue a three- to four-year apprenticeship following this model. There are a number of attractive elements of the Swiss model, including that a young person or an adult who has completed school may easily shift between a more traditional academic pathway (academic high school to university) and a more vocational, apprenticeship-based pathway. They may do this either by doing an intensive extra year of academic training (to move into the academic path prior to university) or by spending a year working in a career of their choice (to move into the vocational path). The vocational path includes a wide variety of industries and not just “the trades”. The chair of the BEL Commission (Noel Ginsburg) also leads **Careerwise** which is collaborating with various industries and school district, including Denver Public Schools, to offer the apprenticeship model to high school students within various industry and government settings.

OTHER PRIVATE AND FEDERAL INITIATIVES AND FUNDING: Other initiatives also interact with the State’s talent-development efforts. For example, the Talent Pipeline report, described below, highlights Skillful, a non-profit initiative of the Markle foundation collaborating with Microsoft and

LinkedIn, that seeks to connect employers and job seekers following a skill-based, rather than credential-based model. Among other initiatives, Skillful Colorado operates a “Governor’s Coaching Corps and Community of Practice” to train career coaches in helping job seekers focus on developing skills.

The State has also sought and received targeted federal grants, such as a \$1.8 million grant received in November 2016 to increase the number and diversity of registered apprenticeships in Colorado and, more recently, an additional \$1 million to continue the work through 2020.

There is no specific statutory authorization or state appropriation for much of this work. The resources are instead from private industry, philanthropy, and the federal government.

CDLE EMPLOYMENT AND TRAINING PROGRAMS

The Division of Employment and Training has a FY 2018-19 appropriation of \$67.4 million, including \$46.7 million in federal funds, \$2.6 million General Fund and \$16.6 million cash funds, primarily from the State Employment Support Fund (derived from UI employer premiums). The vast majority of these funds are allocated out to operate county- and state-run workforce centers that assist businesses and unemployed workers in connecting with each other (state labor exchange) and provide special assistance to veterans, people with disabilities, and people receiving public assistance in identifying new career paths and training or retraining for new positions in the workforce.

A small portion of the total--about \$2.9 million federal funds from the federal Workforce Innovation and Opportunity Grant--is used by the Department to explore and experiment with career pathways, sector strategies, and, recently, work-based learning options. The General Assembly has also appropriated funds for a number of targeted programs. For FY 2018-19 these include \$1.0 million General Fund for the Skilled Worker Outreach, Recruitment and Key Training program, which helps promote awareness of industry-based training programs and apprenticeships; \$599,864 General Fund for the Innovative Industry Workforce Development Program, which provides \$5,000 per person toward paid internships in innovative industries; \$399,852 General Fund for the Hospitality Education Grant Program; and \$1.0 million from Marijuana Tax Cash Funds for the Veterans Service to Career Pilot Program.

These initiatives--however useful--are very small in comparison to state appropriations for education or higher education.

TALENT PIPELINE REPORT AND EDUCATION LEADERSHIP COUNCIL REPORT

Talent Pipeline Report

Statute at Section 24-46.3-103, C.R.S., creates key industries talent pipeline working group (membership aligned with the current Executive Committee of the Workforce Development Council) to help coordinate and align workforce and education initiatives to develop a strong talent pipeline. Part of this effort includes developing an annual Talent Pipeline report. This report, released December 17, 2018, includes a number of recommendations for the coming year. The recommendations address the need for increased work-based learning, the need to reduce attainment gaps, and the need to improve collaboration and alignment in workforce development. The work-based learning recommendations include:

- Colorado should analyze state and local barriers to equitable access to work-based learning and provide capacity for supports to communities, higher education institutions, and school districts to promote policies to eliminate barriers.
- Implement pilot programs for business incentives to adopt work-based learning--such as reductions or waivers in unemployment insurance and workers compensation premiums, employer tax credits, preferences in state contracting or economic development packages. Programs can be piloted with specific populations and evaluated to determine if successful outcomes can be achieved at scale.
- Enhance the ability of public-private partnerships to create and strengthen work-based learning communities by developing statewide tools and investing in ongoing infrastructure, such as the Colorado Workforce Development Council's Work Based Learning Lab.

These recommendations, and others in the Pipeline Report, also align with recommendations of the Education Leadership Council Report.

Education Leadership Council Report

As the Committee is aware, the Education Leadership Council was created through Executive Order and has worked over the last 18 months to develop “a roadmap for educators policymakers, business and community leaders, and others to identify ways to drive our [education] system forward.”⁶ The report identifies principles and multiple improvement strategies too numerous to list here. However, relevant short-term goals that closely align with the top Talent Pipeline recommendations include:

- Expand support for work-based or other credit-bearing learning like concurrent enrollment, apprenticeships and certificates.
- Strengthen workforce and higher education engagement in pathway development, to scale successful collaboration models.

Staff is intrigued by recent efforts to reimagine education and training in Colorado. However, driving changes forward will likely require some resources. Staff encourages the Committee to discuss with the Department what might be appropriate next steps--and the related budget implications.

⁶ https://drive.google.com/file/d/19y_hwFtmtzdSvnrdlFRaV6ABMdl3D0N5/view

Appendix A: Numbers Pages

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	Request vs. Appropriation
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DEPARTMENT OF LABOR AND EMPLOYMENT

Sam Walker, Executive Director

(1) EXECUTIVE DIRECTOR'S OFFICE

The Executive Director's Office provides administrative and technical support for department divisions and programs including accounting, budgeting, and human resources functions.

Personal Services	<u>9,639,742</u>	<u>9,807,933</u>	<u>9,356,918</u>	<u>9,657,288</u>
FTE	105.7	104.2	110.2	110.7
General Fund	184,074	184,074	196,470	230,411
Cash Funds	4,761,359	4,523,213	4,634,407	4,803,992
Reappropriated Funds	162,366	162,366	166,480	171,093
Federal Funds	4,531,943	4,938,280	4,359,561	4,451,792
Health, Life, and Dental	<u>9,595,004</u>	<u>10,787,604</u>	<u>11,709,546</u>	<u>11,989,228</u>
General Fund	455,647	643,805	656,794	772,772
Cash Funds	3,470,930	3,663,663	4,550,059	4,407,175
Reappropriated Funds	58,884	46,354	60,205	63,772
Federal Funds	5,609,543	6,433,782	6,442,488	6,745,509
Short-term Disability	<u>129,027</u>	<u>145,768</u>	<u>138,177</u>	<u>134,391</u>
General Fund	7,021	8,345	7,020	7,797
Cash Funds	44,645	51,203	57,954	51,772
Reappropriated Funds	669	1,139	1,044	834
Federal Funds	76,692	85,081	72,159	73,988

Appendix A: Numbers Pages

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	Request vs. Appropriation
S.B. 04-257 Amortization Equalization Disbursement	<u>3,373,911</u>	<u>3,922,337</u>	<u>4,077,923</u>	<u>3,953,250</u>	
General Fund	179,284	222,024	207,188	229,513	
Cash Funds	1,218,460	1,412,254	1,710,348	1,522,189	
Reappropriated Funds	14,717	30,190	30,809	24,746	
Federal Funds	1,961,450	2,257,869	2,129,578	2,176,802	
S.B. 06-235 Supplemental Amortization Equalization					
Disbursement	<u>3,336,819</u>	<u>3,922,337</u>	<u>4,077,923</u>	<u>3,953,250</u>	
General Fund	177,515	222,024	207,188	229,513	
Cash Funds	1,203,835	1,412,254	1,710,348	1,522,189	
Reappropriated Funds	14,451	30,190	30,809	24,746	
Federal Funds	1,941,018	2,257,869	2,129,578	2,176,802	
PERA Direct Distribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,186,326</u>	
General Fund	0	0	0	126,840	
Cash Funds	0	0	0	842,254	
Reappropriated Funds	0	0	0	13,568	
Federal Funds	0	0	0	1,203,664	
Salary Survey	<u>148,570</u>	<u>1,493,915</u>	<u>2,651,053</u>	<u>4,656</u>	
General Fund	6,210	84,504	134,693	0	
Cash Funds	49,774	537,420	1,111,893	144	
Reappropriated Funds	0	11,508	20,030	4,244	
Federal Funds	92,586	860,483	1,384,437	268	

Appendix A: Numbers Pages

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	Request vs. Appropriation
Merit Pay	<u>0</u>	<u>677,814</u>	<u>0</u>	<u>2,640,080</u>	
General Fund	0	42,317	0	157,889	
Cash Funds	0	231,117	0	1,007,023	
Reappropriated Funds	0	4,805	0	16,990	
Federal Funds	0	399,575	0	1,458,178	
Shift Differential	<u>14,797</u>	<u>13,339</u>	<u>13,339</u>	<u>13,177</u>	
Federal Funds	14,797	13,339	13,339	13,177	
Workers' Compensation	<u>684,781</u>	<u>617,729</u>	<u>892,165</u>	<u>620,340</u>	
General Fund	11,210	11,210	22,188	22,187	
Cash Funds	170,874	170,874	247,717	172,244	
Federal Funds	502,697	435,645	622,260	425,909	
Operating Expenses	<u>1,345,799</u>	<u>1,454,414</u>	<u>1,858,555</u>	<u>1,876,659</u>	*
General Fund	17,066	17,066	17,066	17,065	
Cash Funds	765,994	766,076	773,501	791,606	
Federal Funds	562,739	671,272	1,067,988	1,067,988	
Legal Services	<u>761,539</u>	<u>838,308</u>	<u>944,122</u>	<u>1,036,677</u>	
General Fund	76,509	80,188	115,120	110,860	
Cash Funds	185,024	193,920	195,607	292,422	
Reappropriated Funds	0	0	0	0	
Federal Funds	500,006	564,200	633,395	633,395	
Payment to Risk Management and Property Funds	<u>119,189</u>	<u>146,076</u>	<u>169,783</u>	<u>158,575</u>	
General Fund	1,190	6,880	8,335	7,211	
Cash Funds	37,410	38,799	44,609	38,598	
Federal Funds	80,589	100,397	116,839	112,766	

Appendix A: Numbers Pages

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	Request vs. Appropriation
Vehicle Lease Payments	<u>166,502</u>	<u>167,291</u>	<u>198,434</u>	<u>201,829</u>	
General Fund	10,829	10,829	11,446	12,446	
Cash Funds	119,232	119,232	122,855	125,354	
Reappropriated Funds	0	0	104	0	
Federal Funds	36,441	37,230	64,029	64,029	
Leased Space	<u>4,533,070</u>	<u>5,317,854</u>	<u>6,057,142</u>	<u>6,238,857</u>	
General Fund	317,597	396,230	408,117	420,361	
Cash Funds	2,228,250	2,370,665	2,441,785	2,515,039	
Federal Funds	1,987,223	2,550,959	3,207,240	3,303,457	
Capitol Complex Leased Space	<u>25,738</u>	<u>48,710</u>	<u>35,134</u>	<u>34,223</u>	
General Fund	0	5,125	4,001	5,125	
Cash Funds	22,149	22,267	16,402	21,009	
Federal Funds	3,589	21,318	14,731	8,089	
Payments to OIT	<u>11,573,963</u>	<u>11,197,407</u>	<u>12,287,049</u>	<u>16,634,901</u>	*
General Fund	2,466,272	2,525,615	2,710,698	3,776,136	
Cash Funds	5,112,611	4,644,471	4,896,984	7,688,135	
Reappropriated Funds	384,102	384,102	295,073	302,688	
Federal Funds	3,610,978	3,643,219	4,384,294	4,867,942	
CORE Operations	<u>308,946</u>	<u>247,986</u>	<u>448,335</u>	<u>413,116</u>	
General Fund	0	0	0	0	
Cash Funds	122,521	98,931	145,260	132,636	
Reappropriated Funds	0	0	0	0	
Federal Funds	186,425	149,055	303,075	280,480	

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	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	Request vs. Appropriation
Utilities	<u>228,252</u>	<u>211,756</u>	<u>260,309</u>	<u>260,309</u>	
Federal Funds	228,252	211,756	260,309	260,309	
Information Technology Asset Maintenance	<u>386,220</u>	<u>454,246</u>	<u>218,626</u>	<u>218,626</u>	
Cash Funds	175,343	175,343	69,243	69,243	
Federal Funds	210,877	278,903	149,383	149,383	
Statewide Indirect Cost Assessment	<u>371,035</u>	<u>505,321</u>	<u>610,181</u>	<u>607,056</u>	*
Cash Funds	255,203	331,328	273,526	279,912	
Reappropriated Funds	165	135	7,511	0	
Federal Funds	115,667	173,858	329,144	327,144	
Depreciation-Lease Equivalent Payments	<u>0</u>	<u>0</u>	<u>0</u>	<u>386,562</u>	*
Cash Funds	0	0	0	386,562	
TOTAL - (1) Executive Director's Office	46,742,904	51,978,145	56,004,714	63,219,376	12.9%
FTE	<u>105.7</u>	<u>104.2</u>	<u>110.2</u>	<u>110.7</u>	0.5%
General Fund	3,910,424	4,460,236	4,706,324	6,126,126	30.2%
Cash Funds	19,943,614	20,763,030	23,002,498	26,669,498	15.9%
Reappropriated Funds	635,354	670,789	612,065	622,681	1.7%
Federal Funds	22,253,512	26,084,090	27,683,827	29,801,071	7.6%

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	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	Request vs. Appropriation
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(2) DIVISION OF UNEMPLOYMENT INSURANCE

This division collects unemployment insurance premiums from employers, administers the payment of unemployment insurance benefits to claimants, and conducts audits and investigations to ensure proper payment of premiums and benefits. Cash funds are from the Employment Support Cash Fund.

Program Costs	<u>37,350,281</u>	<u>34,275,634</u>	<u>41,153,931</u>	<u>45,896,875</u> *	
FTE	545.0	458.1	458.1	458.1	
General Fund	36,750	38,361	38,361	38,361	
Cash Funds	7,492,131	7,511,533	7,927,772	12,004,400	
Federal Funds	29,821,400	26,725,740	33,187,798	33,854,114	
Employment and Training Technology Initiatives	<u>9,245,892</u>	<u>4,520,000</u>	<u>4,520,000</u>	<u>4,520,000</u>	
FTE	26.0	26.0	26.0	26.0	
Cash Funds	9,245,892	4,520,000	4,520,000	4,520,000	
TOTAL - (2) Division of Unemployment Insurance	46,596,173	38,795,634	45,673,931	50,416,875	10.4%
FTE	<u>571.0</u>	<u>484.1</u>	<u>484.1</u>	<u>484.1</u>	0.0%
General Fund	36,750	38,361	38,361	38,361	0.0%
Cash Funds	16,738,023	12,031,533	12,447,772	16,524,400	32.7%
Federal Funds	29,821,400	26,725,740	33,187,798	33,854,114	2.0%

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	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	Request vs. Appropriation
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(3) DIVISION OF EMPLOYMENT AND TRAINING

The Division of Employment and Training administers the Workforce Development Centers, the Workforce Development Council, and various workforce development programs.

State Operations and Program Costs	<u>16,806,004</u>	<u>15,846,888</u>	<u>14,755,391</u>	<u>15,017,369</u>	
FTE	117.3	102.4	125.8	125.8	
General Fund	500,000	274,961	0	0	
Cash Funds	9,437,999	9,685,154	9,809,358	10,005,385	
Federal Funds	6,868,005	5,886,773	4,946,033	5,011,984	
One-Stop Workforce Center Contracts	<u>8,019,435</u>	<u>6,581,884</u>	<u>9,164,335</u>	<u>9,199,807</u>	
FTE	17.9	26.2	17.9	17.9	
Cash Funds	0	0	0	0	
Federal Funds	8,019,435	6,581,884	9,164,335	9,199,807	
Trade Adjustment Act Assistance	<u>1,288,685</u>	<u>1,753,881</u>	<u>2,000,000</u>	<u>2,000,000</u>	
FTE	1.6	1.8	0.0	0.0	
Federal Funds	1,288,685	1,753,881	2,000,000	2,000,000	
Workforce Innovation and Opportunity Act	<u>38,312,417</u>	<u>31,370,685</u>	<u>31,307,540</u>	<u>31,432,111</u>	
FTE	59.6	58.5	61.2	61.2	
Cash Funds	807,540	807,540	807,540	807,540	
Federal Funds	37,504,877	30,563,145	30,500,000	30,624,571	
Workforce Development Council	<u>1,165,637</u>	<u>1,059,184</u>	<u>1,073,302</u>	<u>1,091,930</u>	
FTE	7.5	8.1	7.5	7.5	
General Fund	572,254	572,254	577,103	584,196	
Reappropriated Funds	593,382	486,030	496,199	507,734	
Federal Funds	1	900	0	0	

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	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	Request vs. Appropriation
Workforce Improvement Grants	<u>466,249</u>	<u>1,132,478</u>	<u>55,000</u>	<u>55,000</u>	
FTE	0.7	2.4	0.0	0.0	
Federal Funds	466,249	1,132,478	55,000	55,000	
Veterans Service to Career Pilot Program	<u>279,733</u>	<u>384,752</u>	<u>1,000,000</u>	<u>0</u>	
FTE	0.3	0.5	0.5	0.0	
Cash Funds	279,733	384,752	1,000,000	0	
Innovative Industry Workforce Development	<u>914,510</u>	<u>612,140</u>	<u>599,864</u>	<u>602,852</u>	
FTE	1.3	1.0	1.3	1.3	
General Fund	914,510	612,140	599,864	602,852	
Federal Funds	0	0	0	0	
Skilled Worker Outreach, Recruitment and Training Program	<u>2,084,920</u>	<u>3,955,023</u>	<u>6,000,000</u>	<u>5,605,284</u>	
FTE	1.0	1.0	2.0	2.0	
General Fund	0	0	0	2,300,000	
Cash Funds	0	3,758,978	5,000,000	0	
Reappropriated Funds	2,084,920	196,045	1,000,000	3,305,284	
Federal Funds	0	0	0	0	
Appropriation to the Skilled Worker Outreach and Key Training Program Fund	<u>3,300,000</u>	<u>3,400,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	
General Fund	3,300,000	3,400,000	1,000,000	1,000,000	
Hospitality Education Grant Program	<u>399,852</u>	<u>399,852</u>	<u>399,852</u>	<u>400,883</u>	
FTE	0.7	0.5	0.5	0.5	
General Fund	399,852	399,852	399,852	400,883	

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	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	Request vs. Appropriation
Veterans Pilot Program	<u>138,370</u>	<u>0</u>	<u>0</u>	<u>0</u>	
FTE	0.3	0.0	0.0	0.0	
General Fund	138,370	0	0	0	
TOTAL - (3) Division of Employment and Training	73,175,812	66,496,767	67,355,284	66,405,236	(1.4%)
FTE	<u>208.2</u>	<u>202.4</u>	<u>216.7</u>	<u>216.2</u>	<u>(0.2%)</u>
General Fund	5,824,986	5,259,207	2,576,819	4,887,931	89.7%
Cash Funds	10,525,272	14,636,424	16,616,898	10,812,925	(34.9%)
Reappropriated Funds	2,678,302	682,075	1,496,199	3,813,018	154.8%
Federal Funds	54,147,252	45,919,061	46,665,368	46,891,362	0.5%

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	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	Request vs. Appropriation
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(4) DIVISION OF LABOR STANDARDS AND STATISTICS

This division administers employment and labor laws pertaining to wages paid, hours worked, minimum wage, labor standards, child labor, employment-related immigration laws, and working conditions. It conducts all union agreement elections, certifications of all-union provisions, and investigates and mediates allegations of unfair labor practices. This division also collects, analyses, and reports Colorado employment, wage, and other labor statistics data.

(A) Labor Standards

Labor Program Costs	<u>1,871,632</u>	<u>1,859,703</u>	<u>1,911,367</u>	<u>1,999,966</u> *	
FTE	23.5	24.5	25.8	25.8	
General Fund	587,753	582,797	607,823	628,173	
Cash Funds	1,283,879	1,276,906	1,303,544	1,371,793	
SUBTOTAL - (A) Labor Standards	1,871,632	1,859,703	1,911,367	1,999,966	4.6%
<i>FTE</i>	<u>23.5</u>	<u>24.5</u>	<u>25.8</u>	<u>25.8</u>	0.0%
General Fund	587,753	582,797	607,823	628,173	3.3%
Cash Funds	1,283,879	1,276,906	1,303,544	1,371,793	5.2%

(B) Labor Statistics

Labor Market Information Program Costs	<u>2,583,502</u>	<u>2,869,170</u>	<u>2,183,587</u>	<u>2,238,779</u>	
FTE	23.1	18.7	30.3	30.3	
Cash Funds	0	0	0	0	
Federal Funds	2,583,502	2,869,170	2,183,587	2,238,779	
SUBTOTAL - (B) Labor Statistics	2,583,502	2,869,170	2,183,587	2,238,779	2.5%
<i>FTE</i>	<u>23.1</u>	<u>18.7</u>	<u>30.3</u>	<u>30.3</u>	0.0%
Cash Funds	0	0	0	0	0.0%
Federal Funds	2,583,502	2,869,170	2,183,587	2,238,779	2.5%

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	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	Request vs. Appropriation
TOTAL - (4) Division of Labor Standards and Statistics	4,455,134	4,728,873	4,094,954	4,238,745	3.5%
<i>FTE</i>	<u>46.6</u>	<u>43.2</u>	<u>56.1</u>	<u>56.1</u>	<u>0.0%</u>
General Fund	587,753	582,797	607,823	628,173	3.3%
Cash Funds	1,283,879	1,276,906	1,303,544	1,371,793	5.2%
Federal Funds	2,583,502	2,869,170	2,183,587	2,238,779	2.5%

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	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	Request vs. Appropriation
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(5) DIVISION OF OIL AND PUBLIC SAFETY

This division establishes and enforces rules, regulations, and statutes that govern amusement rides and devices; explosives; boilers; conveyances; fuel products; underground and aboveground petroleum storage tanks; cleanup of petroleum spills; and reimbursement of cleanup costs to qualifying storage tank owners/operators.

Personal Services	<u>5,081,970</u>	<u>5,133,682</u>	<u>5,264,534</u>	<u>5,504,698</u>	
FTE	69.9	68.0	68.0	69.5	
General Fund	0	0	0	86,735	
Cash Funds	4,386,202	4,478,099	4,680,816	4,834,245	
Reappropriated Funds	19,318	19,318	19,318	19,318	
Federal Funds	676,450	636,265	564,400	564,400	
Operating Expenses	<u>647,408</u>	<u>1,036,127</u>	<u>741,333</u>	<u>807,609</u>	*
General Fund	0	0	0	16,276	
Cash Funds	589,080	993,724	596,312	646,312	
Federal Funds	58,328	42,403	145,021	145,021	
Underground Damage Safety Commission	<u>0</u>	<u>0</u>	<u>69,054</u>	<u>0</u>	
FTE	0.0	0.0	0.8	0.0	
General Fund	0	0	69,054	0	

TOTAL - (5) Division of Oil and Public Safety	5,729,378	6,169,809	6,074,921	6,312,307	3.9%
FTE	<u>69.9</u>	<u>68.0</u>	<u>68.8</u>	<u>69.5</u>	<u>1.0%</u>
General Fund	0	0	69,054	103,011	49.2%
Cash Funds	4,975,282	5,471,823	5,277,128	5,480,557	3.9%
Reappropriated Funds	19,318	19,318	19,318	19,318	0.0%
Federal Funds	734,778	678,668	709,421	709,421	0.0%

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	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	Request vs. Appropriation
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(6) DIVISION OF WORKERS' COMPENSATION

This division oversees workers' compensation injury claims and compliance, mediates disputes, and administers the Medical Disasters (injuries prior to 1971), Major Medical (injuries from 1971-1981), and Subsequent Injury (more than one industrial injury or injury at more than one employer) Insurance Programs.

(A) Workers' Compensation

Personal Services	<u>7,376,432</u>	<u>7,117,272</u>	<u>7,551,736</u>	<u>7,768,285</u>	
FTE	88.2	87.0	95.0	95.0	
Cash Funds	7,376,432	7,117,272	7,551,736	7,768,285	
Operating Expenses	<u>575,989</u>	<u>551,785</u>	<u>582,328</u>	<u>659,145</u>	*
Cash Funds	575,989	551,785	582,328	659,145	
Administrative Law Judge Services	<u>3,436,935</u>	<u>3,742,556</u>	<u>3,597,268</u>	<u>4,160,010</u>	
Cash Funds	3,436,935	3,742,556	3,597,268	4,160,010	
Physicians Accreditation	<u>103,794</u>	<u>91,149</u>	<u>120,000</u>	<u>120,000</u>	
Cash Funds	103,794	91,149	120,000	120,000	
Utilization Review	<u>60,929</u>	<u>25,739</u>	<u>35,000</u>	<u>35,000</u>	
Cash Funds	60,929	25,739	35,000	35,000	
Immediate Payment	<u>58</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	
Cash Funds	58	1,000	1,000	1,000	
SUBTOTAL - (A) Workers' Compensation	11,554,137	11,529,501	11,887,332	12,743,440	7.2%
FTE	<u>88.2</u>	<u>87.0</u>	<u>95.0</u>	<u>95.0</u>	0.0%
Cash Funds	11,554,137	11,529,501	11,887,332	12,743,440	7.2%

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	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	Request vs. Appropriation
(B) Major Medical Insurance and Subsequent Injury Funds					
Personal Services	<u>1,140,887</u>	<u>1,332,599</u>	<u>1,378,215</u>	<u>1,404,644</u>	
FTE	15.2	13.0	16.0	16.0	
Cash Funds	1,140,887	1,332,599	1,378,215	1,404,644	
Operating Expenses	<u>87,511</u>	<u>88,107</u>	<u>88,324</u>	<u>88,324</u>	
Cash Funds	87,511	88,107	88,324	88,324	
Major Medical Benefits	<u>4,510,197</u>	<u>4,616,468</u>	<u>6,000,000</u>	<u>6,000,000</u>	
Cash Funds	4,510,197	4,616,468	6,000,000	6,000,000	
Major Medical Legal Services	<u>9,505</u>	<u>7,992</u>	<u>7,992</u>	<u>7,992</u>	
Cash Funds	9,505	7,992	7,992	7,992	
Subsequent Injury Benefits	<u>1,302,455</u>	<u>1,115,394</u>	<u>2,000,000</u>	<u>2,000,000</u>	
Cash Funds	1,302,455	1,115,394	2,000,000	2,000,000	
Subsequent Injury Legal Services	<u>0</u>	<u>7,992</u>	<u>7,992</u>	<u>7,992</u>	
Cash Funds	0	7,992	7,992	7,992	
Medical Disaster	<u>(112)</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	
Cash Funds	(112)	1,000	1,000	1,000	
SUBTOTAL - (B) Major Medical Insurance and Subsequent Injury Funds					
	7,050,443	7,169,552	9,483,523	9,509,952	0.3%
FTE	<u>15.2</u>	<u>13.0</u>	<u>16.0</u>	<u>16.0</u>	0.0%
Cash Funds	7,050,443	7,169,552	9,483,523	9,509,952	0.3%

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	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	Request vs. Appropriation
TOTAL - (6) Division of Workers' Compensation	18,604,580	18,699,053	21,370,855	22,253,392	4.1%
<i>FTE</i>	<u>103.4</u>	<u>100.0</u>	<u>111.0</u>	<u>111.0</u>	<u>0.0%</u>
Cash Funds	18,604,580	18,699,053	21,370,855	22,253,392	4.1%

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	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	Request vs. Appropriation
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(7) DIVISION OF VOCATIONAL REHABILITATION AND INDEPENDENT LIVING SERVICES

This division oversees vocational rehabilitation programs designed to enable individuals with disabilities to participate in the workforce. It also oversees independent living service programs that provide individuals with disabilities with resources and skills to live independently in the community.

(A) Vocational Rehabilitation Programs

Personal Services	<u>13,020,254</u>	<u>13,328,532</u>	<u>16,345,301</u>	<u>16,865,366</u>
FTE	217.6	219.7	223.7	223.7
General Fund	3,392,568	2,790,534	3,474,105	3,575,172
Federal Funds	9,627,686	10,537,998	12,871,196	13,290,194
Operating Expenses	<u>2,119,884</u>	<u>2,530,680</u>	<u>2,539,404</u>	<u>2,539,404</u>
Reappropriated Funds	540,884	539,810	540,893	540,893
Federal Funds	1,579,000	1,990,870	1,998,511	1,998,511
Administrative Law Judge Services	<u>29,038</u>	<u>31,767</u>	<u>31,767</u>	<u>36,737</u>
FTE	0.0	0.0	0.0	0.0
General Fund	6,185	8,914	8,914	9,973
Federal Funds	22,853	22,853	22,853	26,764
Voc Rehab Services	<u>13,865,085</u>	<u>14,526,602</u>	<u>14,831,622</u>	<u>14,831,622</u>
General Fund	1,043,950	1,652,194	1,043,950	1,043,950
Reappropriated Funds	2,115,185	2,092,017	2,115,185	2,115,185
Federal Funds	10,705,950	10,782,391	11,672,487	11,672,487
Voc Rehab Mental Health Services	<u>1,660,583</u>	<u>1,768,683</u>	<u>1,748,180</u>	<u>1,748,180</u>
Reappropriated Funds	353,704	376,729	372,363	372,363
Federal Funds	1,306,879	1,391,954	1,375,817	1,375,817

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	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	Request vs. Appropriation
School to Work Alliance Program	<u>9,099,244</u>	<u>9,633,940</u>	<u>11,265,924</u>	<u>11,265,924</u>	
Cash Funds	0	141,157	34,647	34,647	
Reappropriated Funds	1,910,872	1,910,872	2,364,995	2,364,995	
Federal Funds	7,188,372	7,581,911	8,866,282	8,866,282	
Business Enterprises Program for People Who Are Blind	<u>1,408,686</u>	<u>1,191,148</u>	<u>1,532,125</u>	<u>1,595,200</u>	
FTE	6.0	6.0	6.0	6.0	
Cash Funds	299,437	252,980	325,500	338,935	
Federal Funds	1,109,249	938,168	1,206,625	1,256,265	
Business Enterprises Program	<u>117,332</u>	<u>177,423</u>	<u>429,000</u>	<u>429,000</u>	
Cash Funds	117,332	177,423	429,000	429,000	
Federal Social Security Reimbursements	<u>2,591,240</u>	<u>2,603,737</u>	<u>2,600,000</u>	<u>2,600,000</u>	
Federal Funds	2,591,240	2,603,737	2,600,000	2,600,000	
Older Blind Grants	<u>0</u>	<u>363,144</u>	<u>362,000</u>	<u>362,000</u>	
Federal Funds	0	363,144	362,000	362,000	
Employment First Initiatives	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,755,869</u> *	
FTE	0.0	0.0	0.0	4.0	
General Fund	0	0	0	800,000	
Federal Funds	0	0	0	2,955,869	
SUBTOTAL - (A) Vocational Rehabilitation Programs	43,911,346	46,155,656	51,685,323	56,029,302	8.4%
FTE	223.6	225.7	229.7	233.7	1.7%
General Fund	4,442,703	4,451,642	4,526,969	5,429,095	19.9%
Cash Funds	416,769	571,560	789,147	802,582	1.7%
Reappropriated Funds	4,920,645	4,919,428	5,393,436	5,393,436	0.0%
Federal Funds	34,131,229	36,213,026	40,975,771	44,404,189	8.4%

Appendix A: Numbers Pages

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	Request vs. Appropriation
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(B) Office of Independent Living Services

Program Costs	<u>176,145</u>	<u>206,065</u>	<u>216,312</u>	<u>216,312</u>	
FTE	2.5	4.0	4.0	4.0	
General Fund	176,145	206,065	216,312	216,312	
Independent Living Services	<u>6,710,904</u>	<u>6,611,487</u>	<u>7,072,790</u>	<u>7,145,375</u>	*
General Fund	6,535,844	6,303,969	6,733,512	6,806,097	
Cash Funds	0	0	33,928	33,928	
Federal Funds	175,060	307,518	305,350	305,350	

SUBTOTAL - (B) Office of Independent Living

Services	6,887,049	6,817,552	7,289,102	7,361,687	1.0%
FTE	<u>2.5</u>	<u>4.0</u>	<u>4.0</u>	<u>4.0</u>	0.0%
General Fund	6,711,989	6,510,034	6,949,824	7,022,409	1.0%
Cash Funds	0	0	33,928	33,928	0.0%
Federal Funds	175,060	307,518	305,350	305,350	0.0%

TOTAL - (7) Division of Vocational Rehabilitation and

Independent Living Services	50,798,395	52,973,208	58,974,425	63,390,989	7.5%
FTE	<u>226.1</u>	<u>229.7</u>	<u>233.7</u>	<u>237.7</u>	1.7%
General Fund	11,154,692	10,961,676	11,476,793	12,451,504	8.5%
Cash Funds	416,769	571,560	823,075	836,510	1.6%
Reappropriated Funds	4,920,645	4,919,428	5,393,436	5,393,436	0.0%
Federal Funds	34,306,289	36,520,544	41,281,121	44,709,539	8.3%

Appendix A: Numbers Pages

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	Request vs. Appropriation
TOTAL - Department of Labor and Employment	246,102,376	239,841,489	259,549,084	276,236,920	6.4%
<i>FTE</i>	<u>1,330.9</u>	<u>1,231.6</u>	<u>1,280.6</u>	<u>1,285.3</u>	0.4%
General Fund	21,514,605	21,302,277	19,475,174	24,235,106	24.4%
Cash Funds	72,487,419	73,450,329	80,841,770	83,949,075	3.8%
Reappropriated Funds	8,253,619	6,291,610	7,521,018	9,848,453	30.9%
Federal Funds	143,846,733	138,797,273	151,711,122	158,204,286	4.3%

APPENDIX B

RECENT LEGISLATION AFFECTING DEPARTMENT BUDGET

2017 SESSION BILLS

S.B. 17-254 (LONG BILL): General appropriations act for FY 2017-18.

HB 17-1119 (PAYMENT OF WORKERS' COMPENSATION BENEFITS): Increases cash funds by \$6,000 to the Division of Workers' Compensation to establish the Uninsured Employer Board and the Colorado Uninsured Employer Fund.

2018 SESSION BILLS

S.B. 18-145 (IMPLEMENT EMPLOYMENT FIRST RECOMMENDATIONS): Requires the Department of Labor and Employment (CDLE) and the Medical Services Board in the Department of Health Care Policy and Financing (HCPF) to promulgate rules by July 1, 2019 requiring training or certification for certain providers of supported employment services for persons with disabilities. These requirements are contingent upon appropriations to HCPF to reimburse vendors of supported employment services for the cost of training and certification. Also expands HCPF reporting requirements. Provides the following appropriations for FY 2018-19:

- \$27,675 General Fund and 0.4 FTE to HCPF;
- \$2,131 General Fund to CDLE for legal services; and
- \$2,131 reappropriated funds to the Department of Law for legal services to CDLE.

Appropriations to HCPF are expected to increase to \$331,200 General Fund and 0.5 FTE in FY 2019-20.

S.B. 18-167 (ENFORCE REQUIREMENTS 811 LOCATE UNDERGROUND FACILITIES): Makes changes to the state's utility notification system in order to support increased enforcement related to the excavation of underground facilities. Creates the Underground Damage Prevention Safety Commission in the Colorado Department of Labor and Employment (CDLE); creates two cash funds to support the work of the commission and increased safety education; and makes a variety of changes to the state's excavation laws for the purpose of improving enforcement. Includes an appropriation of \$81,841 General Fund and 0.8 FTE to CDLE in FY 2018-19, of which \$12,787 and 0.1 FTE is reappropriated to the Department of Law. Appropriations to CDLE are anticipated to increase to \$172,728 General Fund and 2.1 FTE in FY 2019-20. Also anticipated to increase costs in the Department of Transportation from the State Highway Fund (off budget) and may increase costs for other departments, as well as local governments, that perform excavations or are involved in adjudication processes outlined in the legislation.

H.B. 18-1316 (EXTEND CDLE WORK GRANT PROGRAM): Extends the Skilled Worker Outreach, Recruitment, and Key Training (WORK) grant program in the Department through FY 2020-2021.

The program provides grants to organizations that offer workplace training skills. Requires the General Assembly to appropriate \$7.6 million General Fund to the WORK program for the three years between January 1, 2018 and January 1, 2021. Includes an appropriation of \$1,000,000 General Fund to CDLE for the program for FY 2018-19.

H.B. 18-1322 (LONG BILL): General appropriations act for FY 2018-19.

H.B. 18-1339 (BACKGROUND CHECKS FOR EMPLOYEES WITH ACCESS TO FEDERAL TAX INFORMATION): Requires each applicant, state employee, state contractor, or other individual who has or may have access through a state agency to federal tax information received from the federal government to submit to a fingerprint-based criminal history records check. Specifies that a state agency that shares such federal tax information with a county may authorize and require the county department applicants, employees, contractors, or other individuals to submit to a fingerprint-based criminal history records check. Requires a state agency to deny access to federal tax information received from the federal government to any individual who does not pass the fingerprint-based criminal history record check. Provides FY 2018-19 appropriations as follows:

- \$36,640 General Fund to the Department of Human Services;
- \$7,425 cash funds to the Department of Labor and Employment;
- \$6,683 General Fund to the Department of Local Affairs;
- \$11,633 General Fund to the Department of Personnel;
- \$41,580 General Fund to the Department of Revenue; and
- \$121,748 reappropriated funds to the Department of Public Safety from the appropriations made to other departments above.

H.B. 18-1343 (VETERANS' SERVICE-TO-CAREER PROGRAM): Continues the Veterans' Service-to-Career Grant Program in the Colorado Department of Labor and Employment (CDLE).

- Extends the program's repeal date from January 1, 2019 to January 1, 2024
- Expands eligibility to include veterans, veterans' spouses, persons actively serving in the U.S. Armed Forces and within six months of discharge, or a member of the National Guard or military reserves who has completed initial entry training
- Increases the administrative overhead a workforce center may charge for the program from seven to eight percent
- Requires CDLE to develop an evaluation method to measure program outcomes and effectiveness.

Appropriates \$1,000,000 cash funds from the Marijuana Tax Cash Fund and 0.5 FTE to CDLE for FY 2018-19.

APPENDIX C

FOOTNOTES AND INFORMATION REQUESTS

UPDATE ON LONG BILL FOOTNOTES

- 69 Department of Labor and Employment, Division Of Vocational Rehabilitation and Independent Living, Vocational Rehabilitation Programs -- In addition to the transfer authority provided in Section 24-75-108, C.R.S., the Department may transfer up to 10.0 percent of the total appropriation among the following line items in this section: Personal Services, Operating Expenses, Vocational Rehabilitation Services, School to Work Alliance Program, and Vocational Rehabilitation Mental Health Services.

COMMENT: This footnote enables funds within this division to be transferred among line items to promote efficient use of funds.

UPDATE ON REQUESTS FOR INFORMATION

- 1 Department of Labor and Employment, Colorado Workforce Development Council -- In its final report on the Innovative Industries Workforce Development Program due November 1, 2018, the Department is requested to include an evaluation of the program's impact and recommendations for any changes to the program if it is reauthorized and expanded. In the report, the Colorado Workforce Development Council (CWDC) is specifically requested to respond to the following questions:
- Should this program be limited to "innovative industries" or should it be part of a more comprehensive statewide work-based learning initiative?
 - Could the program be modified to place greater emphasis on opportunities and industry-exposure for students with less advanced skills, including high school and community college students? Does the CWDC support such a change?
 - Should the program be more focused on underrepresented groups, including low-income students, consistent with the Higher Education Master Plan and the Talent Pipeline Report?
 - If internships for high-level students are of value to expanding high-tech industries, is the additional incentive of state funding necessary? Is funding at the level of \$5,000 per intern necessary? Once a program is launched, will a business continue it with less external support?

COMMENT: The Department submitted the requested report. The report highlights the outcomes and achievements of the H.B. 15-1230 Innovative Industries Internship Program. The program incentivizes business by reimbursing up to \$5,000 per intern for 130 hours of work in high-level experiential work-based learning opportunities. The program also contracts up to \$10,000 per industry intermediary to provide support in the areas of marketing, application review, industry support, and program development for its industry partners in advanced manufacturing, energy and natural resources, information technology, aerospace, engineering, bioscience, construction, and electronics.

The report indicates that with each cycle the application process for businesses and interns becomes more competitive. There is a higher demand for intern slots than available funding can support: 130 internship slots were approved in FY 2017-18, with 110 internships successfully completed. Eighty-eight businesses with under 100 employees and 21 large businesses with 100 employees or more participated in the program. The average hourly internship wage was \$15.53. Of the businesses participating, only five of 109 are rural; the report indicates that a more concerted outreach will be made to attract more rural businesses in the future.

The report notes that while no data determines if an internship could have been funded outside the program, many businesses have indicated that without a program such as this one, they would not have been able to provide an internship. The Department also emphasizes that 70 percent of participating businesses have expressed interest in developing a registered apprenticeship program as a result of this program.

	PY 2016-17	PY 2017-18	Cumulative
# of internships <u>spots</u> approved	208 ²	130 ³	338
# of businesses denied	25	53	78
# of interns approved	231 ⁴	110	334
# of Veterans completed internships	14	4	18
Completed internships	181	110	284
Businesses under 100 employees	116	88	150
Businesses with 100+ employees	15	21	36
Average hourly wage	\$14.59	\$15.53	\$15.06
Number of interns hired as a result of internship	25 ⁵	27	52

[*Additional Background:* During the 2018 session, staff raised questions about whether this program placed sufficient emphasis on students who might not otherwise have access to paid internship opportunities, given that the additional state contribution of \$5,000 per student in this program is more than the average state expenditure per postsecondary student. Current data indicate that 74 percent of interns are male; and the majority attend CSU, CU or the Colorado School of Mines. Department staff informed JBC staff that they have been seeking to recruit underrepresented students and that one-quarter of students are Pell eligible, but staff notes this is lower than the statewide average of about 30 percent of students who are Pell eligible.]

Question: Should this program be limited to “innovative industries” or should it be part of a more comprehensive statewide work-based learning initiative?

Response: This internship is already part of a broader set of initiatives coordinated and aligned through partnerships. This specific component plays a niche role in supporting innovative industries. Expanding the scope of targeted industries without significantly increasing the funds available would diminish the overall effectiveness of the program and its reach. Senate Bill 18-42 replicated this program to focus on agriculture through the Department of Agriculture. We recommend that the agriculture program be implemented for two years and evaluated to determine if the model is shown to be effective in other industries and if so then an expansion in scope and funding is recommended.

Question: Could the program be modified to place greater emphasis on opportunities and industry-exposure for students with less advanced skills, including high school and community college students? Does the CWDC support such a change?

Response: Students participating in concurrent enrolment make up a small percentage of the 100+ interns who apply each year. One way to facilitate greater access for this population is to focus marketing of the program in high schools, community colleges, and technical schools. Adjusting these efforts should not require program modifications, rather process modifications. In order to maintain value for participating companies, it is important that the students be engaged in the appropriate level of education for the positions obtained.

Should the program be more focused on underrepresented groups, including low-income students, consistent with the Higher Education Master Plan and the Talent Pipeline Report?

Response: The current program focuses on outreach and recruitment to underrepresented groups. An intermediaries' outreach and recruitment workgroup worked on strategies to identify these groups without having an intrusive application process. Creating a participant focus to any specific group would require strengthening partnerships with entities that can provide recruitment support to businesses, which may require additional funding.

If internships for high-level students are of value to expanding high-tech industries, is the additional incentive of state funding necessary?

Response: There is not a specific requirement in the legislation that these internships are reserved for "high-level students." The internships have provided opportunities for all levels of students and range from entry-level to mid-level skill set. This program has a significant impact on small businesses that would not have the opportunity to hire students regardless of their skill level without the financial incentive. Many businesses have indicated that without the support of the program, the internship would not have been possible, particularly given the narrow operating budgets of the smaller firms.

Is funding at the level of \$5,000 per intern necessary? Once a program is launched, will a business continue it with less external support?

The funding level could be tested during a future cycle to determine the criticality of \$5,000 per intern. Many grantees have expressed interest in developing their programs into full apprenticeships, which is indicative of the commitment by business. The intermediaries have discussed what it will take for the program to be sustainable without funding from the State.

- 2 Department of Labor and Employment, Division Of Vocational Rehabilitation and Independent Living Services, Vocational Rehabilitation Programs -- The Department is requested to provide a report on the number of individuals receiving vocational rehabilitation services, including: a breakdown by category of the number of individuals receiving services; the average cost by category of services; the projected fiscal year expenditures, and the projected balance of the State's federal vocational rehabilitation account by November 1, 2018.

COMMENT: The Department submitted the requested report. Information on caseload and costs are included in the staff briefing issue on the Employment First request. Projected fiscal year expenditures and the balance in the vocational rehabilitation account are shown below. The response indicated that the program would spend less in FY 2018-19 than the amount budgeted and suggested a possible match problem for FFY 2018-19, given that total FY 2018-19 expenditures subject to federal match were projected to be \$893,797 below the budget, based on available matching funds, and that matching funds required for FFY 2018-19 were expected to continue to increase. The Department reported closing out FFY 2017-18 slightly below federal funds available.

Division of Vocational Rehabilitation Projected Expenditures by Long Bill Line Item SFY 2018-19		
Long Bill Line Item	Long Bill	Projected Total Expenditures
Centrally Appropriated Lines*	\$4,000,000	\$4,000,000
Vocational Rehabilitation Personal Services	\$16,345,301	\$16,345,301
Vocational Rehabilitation Operating	\$2,539,404	\$2,539,404
Vocational Rehabilitation Services	\$14,831,622	\$14,831,622
School to Work Alliance Program (SWAP)**	\$11,265,924	\$9,872,127
Vocational Rehabilitation Mental Health Services***	\$1,748,180	\$2,248,180
Business Enterprise Program for People Who are Blind	\$1,532,125	\$1,532,125
Business Enterprise Program-Program Operated Stands, Repair Costs, and Operator Benefits	\$429,000	\$125,000
Federal Social Security Reimbursements	\$2,600,000	\$2,600,000
Total	\$55,291,556	\$54,093,759

Table 4-Distribution of Grant Awards by State Fiscal Year					
Federal Award	Award	Federal Expenditures	Match Required	Match 2 years Prior	MOE penalty
FFY 14	\$40,918,495	\$40,918,495	\$11,074,510	Base Year	\$576,036
FFY 15	\$41,000,267	\$35,710,313	\$9,664,926	Base Year	\$1,174,669
FFY 16	\$42,317,015	\$22,721,805	\$6,149,612	\$11,074,510	\$4,924,828
FFY 17	\$38,998,851	\$38,998,851	\$10,554,962	\$9,664,926	\$0
FFY 18	\$44,504,499	\$44,504,499	\$12,045,055	\$6,149,612	\$0

- Department of Labor and Employment, Division of Vocational Rehabilitation and Independent Living Services, Office of Independent Living Services -- The Department is requested to provide as of November 1, 2018, the number of clients served by each Independent Living Center for the past year, and the distribution of funds by Independent Living Center.

COMMENT: The Department submitted the requested report. The report indicated that in total, the ILCS served an average of 1,925 unduplicated clients each month during FY 2017-18. Numbers served ranged from as few as 70 in the smallest location (Southwest Center for Independence) to as many as 404 in the largest (Center for Disabilities). Each ILC of the nine ILCs receives; base funding (pursuant to statute) and an allocated share based on factors such as population.

Distribution of General Funds by Independent Living Center	
Independent Living Center	General Fund Amount
Center For Independence	\$ 733,353
Center For People with Disabilities	\$ 727,535
Atlantis	\$ 884,493
Connections for Independent Living	\$ 712,509
Center for Disabilities*	\$ 863,541
Northwest Center for Independence	\$ 675,202
Disabled Resource	\$ 669,213
Southwest Center for Independence	\$ 681,873
The Independence Center	\$ 785,793
Total	\$ 6,733,512

- 4 Department of Labor and Employment, Division of Vocational Rehabilitation and Independent Living Services, Vocational Rehabilitation Programs -- The Department is requested to provide by November 1, 2018, a listing of the current leased spaces for Workforce Centers and a listing of the current leased spaces used by the Vocational Rehabilitation Programs, including costs. The Department is also requested to provide the status of consolidation of leased spaces, including locations that can be consolidated and estimated cost savings.

COMMENT: The Department submitted the requested report. Out of the 15 towns where both a workforce center and vocational rehabilitation center are located, 8 have centers that are co-located. Possible co-location is pending at three sites prior to lease expiration. At two additional sites, vocational rehabilitation services are located in the same building as the county-run (as opposed to state-run) workforce center.

APPENDIX D

DEPARTMENT ANNUAL PERFORMANCE REPORT

Pursuant to Section 2-7-205 (1) (a) (I), C.R.S., the Office of State Planning and Budgeting is required to publish an **Annual Performance Report** for the *previous fiscal year* for the Department of Department of Labor and Employment.. This report is to include a summary of the department's performance plan and most recent performance evaluation for the designated fiscal year. In addition, pursuant to Section 2-7-204 (3)(a)(I), C.R.S., the department is required to develop a **Performance Plan** and submit that plan for the *current fiscal year* to the Joint Budget Committee and appropriate Joint Committee of Reference by July 1 of each year.

For consideration by the Joint Budget Committee in prioritizing the Department's budget request, the FY 2017-18 Annual Performance Report dated October 2018 and the FY 2018-19 Performance Plan can be found at the following link:

<https://www.colorado.gov/pacific/performancemanagement/departments-performance-plans>